The China Weekly

REVIEW

密勒氏評論報

A Weekly Newspaper Established in 1917

Japanese Allege China Adjusting Old Nishihara Loan Issue

ARTICLES IN THIS ISSUE

Nishihara Loans and Question of Sino-Japanese Negotiations
Japanese Purchase Half Interest in General Motors Plant
Increased Spy Crop Results from Augmented Secret Funds
Interlocking Directorate of S.M.C. and Transit Interests
Chinese Press Discusses U. S. Repudiation Japan's Claim to Special Position
China Can Recover Lost Territories if Her Armies Are Nationalized, Says General Chiang
Japan's Unpleasant Alternative---More Loans or Heavier Taxation
U. S. and China and the Silver Pyramid
Complete Text of Dr. L. Rajchman's Report on League Co-operation with China
Japanese Colonel Admits Manchuria Is Unsafe Except in Railway Zone, Bandits Everywhere
Japanese Settle Chihsien Incident Along Usual Lines
Plain Speaking by an Old China Hand---A Review of Lyall's New Book
Central China Problems Discussed by Nation's Leaders
(By the Review's Hankow Correspondent)
The Motive Behind Canton's Friendly Gesture Toward Nanking . . . . . By Paul K. Whang

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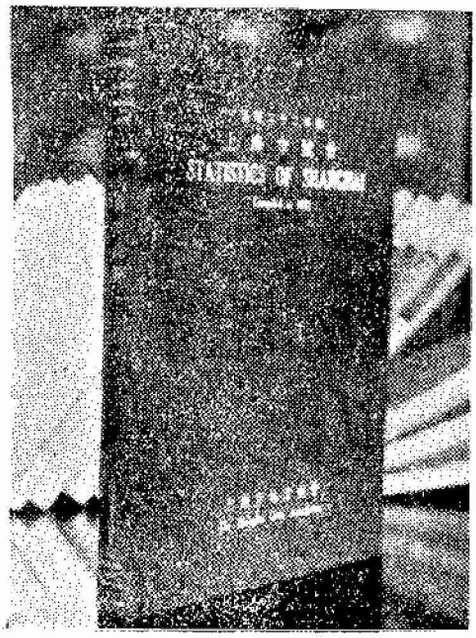

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Formerly Millard's Review

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Contents

Editorial Paragraphs

Increased Spy Crop Results from Augmented Secret Funds 439
Interlocking Directorate of S.M.C. and Transit Interests 441
Japanese Purchase Half Interest in General Motors Plant 442
Nishihara Loans and Question of Sino-Japanese Negotiations 443

Special Articles

China Can Recover Lost Territories if Her Armies Are Nationalized, Says General Chiang 449
Chinese Press Discusses U. S. Repudiation Japan's Claim to Special Position 453
Japan's Unpleasant Alternative—More Loans or Heavier Taxation 454
U. S. and China and the Silver Pyramid 456
The Motive Behind Canton's Friendly Gesture Toward Nanking.....By Paul K. Whang 458
Central China Problems Discussed by Nations Leaders 460
Who's Who in China 467
Men and Events 468
New Books of Interest in the Far East 470
Complete Text of Dr. L. Rajchmann's Report on League Co-operation with China 475

CONTENTS OF PREVIOUS ISSUES OF THE CHINA WEEKLY REVIEW MAY BE FOUND IN THE "INTERNATIONAL INDEX TO PERIODICALS," COPIES OF WHICH ARE ON FILE IN MOST STANDARD LIBRARIES.

COMMUNICATIONS PERTAINING TO SUBSCRIPTIONS OR ADVERTISING IN CHINA OR ABROAD SHOULD BE ADDRESSED TO THE CHINA WEEKLY REVIEW AT 160 AVENUE EDWARD VII, SHANGHAI, CHINA, TELEPHONE 14741. CABLE ADDRESS "REVIEWING SHANGHAI."

INCREASED SPY CROP RESULTS FROM AUGMENTED SECRET FUNDS

CHINESE newspaper reports from various parts of the country indicate a great increase in the number of Japanese "observers" traveling about China. On May 13 there were two such reports one telling of Japanese officers traveling without proper passports in the vicinity of Hsuchowfu in northern Kiangsu province and the other telling of a Japanese and Formosan at Amoy who allegedly were photographing the Chinese fortifications. Why the Japanese military people should be still taking pictures of antiquated Chinese fortifications at Amoy with which they already must be fully familiar is not known. But the situation in northern Kiangsu is different for it is in the vicinity of Haichow that the Chinese are constructing a new port. The Chinese report (*Kuomin*) stated that ten groups of Japanese officers and civilians have recently been observed in this area, the object undoubtedly being to spy out the new Chinese port and fortifications in that territory. The Japanese military publications already have listed the new Chinese port of Haichow as a matter of special concern because it allegedly interferes with the Japanese vested interests in Tsingtao and also because the Chinese recently have begun to consider plans for extending the Lung-Hai railway westward through Shensi and Kansu into Sinkiang. The new port of Haichow, if the Chinese are permitted to complete the project, will provide an outlet to vast areas in central Asia which heretofore have been inaccessible—which doubtless constitutes a matter of special concern on the part of the Tokyo General Staff.

The Japanese always have been noted for their espionage activities not only in China but also in the United States and elsewhere in the world, but the recent increase in the number of spies has resulted from the greatly augmented "secret fund" under the control of the War Department. According to an article by an anonymous contributor in the May issue of the Japanese magazine *Kaibo Jidai* the members of the recent Diet displayed so much curiosity about the secret funds of the various ministries that the Government was compelled to publish the

various sums allotted to each, but beyond these figures there was no further information available. However, the figures are interesting, particularly the fact that out of a total appropriation of approximately Yen 13,000,000, equivalent to more than U. S. $4,000,000, the Imperial Army received more than half, or Yen 7,334,405, most of which was ear-marked for use in connection with Manchurian politics. The various "secret" funds allotted to the different Ministries for the current year as listed in the Tokyo magazine were as follows:

		Yen	
The Army:	Ordinary....	250,000	—For military affairs
	Extraordinary	24,225	—For troops in China
		7,060,000	—For Manchurian affairs
	Total....	7,334,405	
		Yen	
The Navy:	Ordinary....	63,300	—For military affairs
	Extraordinary	1,680,000	—For Manchurian affairs
	Total....	1,743,300	
		Yen	
Foreign Office:	Ordinary....	1,439,060	—For Foreign Office use
	Extraordinary	94,500	—For protection and supervision
		325,000	—For Manchurian affairs
		700,000	—For diplomatic affairs
	Total....	2,558,568	
		Yen	
Home Office:	Ordinary....	31,282	—For Home Office use
		82,049	—For prefectural government use
	Extraordinary	706,507	—For police services
		2,394	—For officials abroad
	Total....	822,232	
		Yen	
Finance Ministry:	Ordinary....	46,550	—For the cabinet
		925	—For customs
	Total....	47,550	
		Yen	
Oversea Ministry:	Ordinary....	46,550	—For the ministry use
Justice Ministry:	Ordinary....	80,654	—For judicial affairs
	Extraordinary	50,000	—For suppression of harmful thoughts.

According to foreign newspaper correspondents recently in Tokyo the publication of the secret fund figures has had an effect somewhat akin to the exposure of a barrel of molasses in a warm place infested by flies. All kinds and types of adventurers, including Chinese and occidentals, have flocked to Tokyo for the purpose of assisting the Japanese in dispensing their secret funds either in the form of espionage activities or in propaganda. And, as might be expected, the inevitable result has been widespread suspicion and charges of graft in the dispensing of such large funds for which the cabinet officers are not compelled by law to give an exact accounting. The Japanese writer who discussed the subject in the May issue of *Kaibo Jidai* said that since these considerable sums may be dispensed at the discretion of the government executives, it has led to inevitable charges of graft. "This is why there is often considerable suspicion about the use of this fund. . There have been a number of cabinet ministers as well as prefectural governors who allegedly have put aside some part of their secret funds in their private savings accounts or have invested it in real estate in their native districts. . . There was an unpleasant report in circulation that Viscount Saito, while governor of Korea, had put aside Yen 100,000 every year from the secret fund, as a foundation for his present considerable private fortune. The Japanese writer then explained further that there never has been a case where any portion of these sums has been returned to the treasury in case of a political change. The money always disappears and there never is anv accounting as to how it was spent. But we will let the Japanese writer tell the rest of the story in his own words.

"One of the recent extreme instances was the Home Minister of the last Inukai Cabinet, which went out of power as a result of the occurrance of the May 15th incident. When he surrendered the office to Mr. Yamamoto, Home Minister, and Takao Saito, Parliamentary Vice-Minister, he had practically none of the secret-fund to make over to his successor. The retiring Home Minister had apparently made ducks and drakes of his secret fund, which was no less than Yen 1,060,000, within only 50 days after the new funds of the financial year were transferred to all ministries. Mr. Yamamoto was reported to have been astonished at this reckless dissipation.

"It is quite a reckless dissipation which defies the imagination by sound common sense. Yet it is impossible to force a legal investigation into the use of the fund. Mr. Mochizuki, a leader of the Seiyukai and Minister of Home Affairs in the cabinet of General Tanaka, once told the writer an interesting metaphor about this problem: "A commander who is going to surrender his fortress will invariably destroy all armaments in his possession, lest they should be employed for useful purposes by the enemy who succeeds himself."

"The Foreign Office had long been the envy of all ministries on account of the large sum of secret-service funds in its possession, since the fund was increased at a stretch to Yen 2,500,000 a year while the late Count Takakira Kato was the Premier. But in the 1934 general budget, the Army takes the largest amount, namely, Yen 7,330,000 out of the total of Yen 12,680,,000 appropriated for all ministries combined, on account of the big sum allocated as extraordinary secret fund for Manchurian affair. The Navy has the title of the second largest sum, Yen 1,700,000 while the Foreign Office being given Yen 1,439,000 excluding the fund in the extraordinary expenditures.

"Count Kato, despite being the son-in-law of the Iwasaki family, had to put up with the poor secret fund given for diplomatic services for many years while he

was an envoy abroad and as Foreign Minister. It was for this reason that he increased the fund for the Foreign Office when he assumed the reins of government. And the director of the Intelligence Bureau was then given an annual sum of some Yen 400,000 at his disposal, the Foreign Minister of Yen 300,000, while the rest Yen 1,000,000 was given to all envoys for secret propaganda and espionage abroad."

INTERLOCKING DIRECTORATE OF S.M.C. AND TRANSIT INTERESTS

THE annual general meeting of the International Investment Trust Company of China, Ltd., held in the board-room of Sassoon and Company in the Sassoon House on May 4, bore a remarkable resemblance to a committee meeting of the Shanghai Muncipal Council. No less than four members of the Council, including its Chairman, were present in their capacity of directors of this trust company, which controls the autobus and street-car concerns of the International Settlement. Such a situation undoubtedly finds no parallel anywhere else in the world—what is practically an interlocking directorate of the Municipal Council and the private transit interests of the city.

The International Investment Trust Company includes not only the great Sassoon interests, which appear to be paramount, but others as well, including Chinese. Its funds are invested in a number of concerns, including the Shanghai Land Investment Company, the Shanghai Tramways, and the China General Omnibus Company. P. W. Massey, recently elected member of the Shanghai Municipal Council who has resigned in order to head the new Ricksha Committee at a salary of $1,100 per month, is a director of the Shanghai Land Investment Company and is also a director of the International Investment Trust Company. Chairman Arnhold of the S.M.C., to whom we have at times referred in connection with his running of the autobus company, is another director of the Company as well as The Land Company. Two Chinese members of the Shanghai Municipal Council, the bankers Pei Tsu-yee and Hsu Sing-loh, are also directors of the Trust Company. In other words, two-fifths of the Chinese Councillors, and two-fifths of the British Councillors, are connected with the Trust Company which controls the transit interests of the Settlement, and which is now considering a merger between the autobus and street-car concerns in order more efficiently to exploit the public of Shanghai. It may be added that though the autobus company, as already reported, has not paid any dividend to its ordinary shareholders for the past four years, it not only pays the Sassoon interests from six and one-quarter to seven per cent interest on an overdraft, but the Investment Trust Company which holds a controlling interest in the concern is paying its own shareholders a dividend of almost five and one-half per cent this year.

The common interests of British and Chinese financial, transit, and landholding interests in an enterprise like the International Investment Trust Company furnish a natural basis for cooperation politically. The combination which elected Arnhold chairman of the Shanghai Municipal Council last month, consisting of five Chinese and three Western Councillors, evidently had as its nucleus the abovementioned directors of the International Investment Trust Company. With the support of the whole Chinese representation of five, it was only necessary to get one additional Western Councillor in order to elect Arnhold and defeat Macnaghten and the Japanese. And so, just at a time when it appeared that the Japanese were almost having things their own way, and were looking forward to a Japanese Chairman of the Shanghai Municipal Council, they were unexpectedly and completely checked by this combination of Chinese and Western Councillors.

Several points about the recent Municipal Council election are worth recalling here. It will be recalled that at the end of January, two months before the election, the Japanese newspapers in Shanghai suddenly started an evidently inspired agitation for a Japanese Chairman for the S.M.C. Funatsu, Japanese member of the Municipal Council, Director of the Japanese Mill Owners' Association, and former Consul-General here and at other points in China, was declared to be the "right man," and exception was taken to what the papers termed the "antiquated privilege" of the British to monopolize the chairmanship. But the British official organ, *The North-China Daily News*, disagreed, and in a front-page article at the time declared Arnhold, then Vice-Chairman of the Council, to be "probable choice for Chairman" for the coming year. The Japanese agitation, however, soon subsided. The *North-China's* support of Mr. Arnhold also, by a strange coincidence, also subsided. Behind the scenes, it appears, an Anglo-Japanese agreement was reached to make Macnaghten Chairman, with a Japanese Vice-Chairman if possible. If Funatsu were made Vice-Chairman this year, this would make him logical candidate for Chairman next year. Everything seemed set, therefore, for the election of Macnaghten as Chairman, with a future promise of a Japanese Chairman. But the Japanese, and their British friends, reckoned without their Chinese hosts. And a combination of Chinese and Western Councillors, evidently led by a group of directors of the International Investment Trust Co., elected Arnhold Chairman.

There was more than one factor determining the attitude of the Chinese Councillors towards Macnaghten. His chairmanship in 1932, when the Japanese were permitted to use the International Settlement as a base of operations against Chinese forces, and his attacks upon the Chinese courts here, certainly did not increase his popularity with the Chinese. Also, there have been some recent deals between the British Cigarette Company, Ltd., of which Macnaghten is a leading director, and the Japanese in the puppet state of Manchukuo which have had the effect of making the officials of the British cigarette concern very "pro-Japanese" in their general attitude on Chinese issues. But a new and most important factor was the threat to certain Chinese vested interests which

was involved in the plan for ricksha reform. This made it possible for Macnaghten and some other Councillors to be so emphatic in their denunciation of the "vested interests and racketeers" to which these foreign Councillors and candidates referred in election statements.

Chinese business men who dominate the Chinese Ratepayer's Association, however, felt very differently about this matter, and at their ratepayers' meeting on April 16 resolved, among other things, that any new measures of the Council which affected 'any particular section of the community or any particular form of business" should first be communicated to the association, to be turned over by them "to the commercial bodies concerned, so that all those to be affected will have an opportunity of examining them prior to the execution and if necessary of arranging for the participation of their representatives in the meetings of the relevant committees of the Council." This clearly referred to the proposed measures against the ricksha interests, and expressed the demand already made by these interests for participation in the work of the proposed Ricksha Committee. With this lining up of Chinese vested interests, and the intimate association of Chinese with certain British interests in landholding and transit enterprises here, the new alignment became practicable. Especially was this the case because municipal control of the ricksha business would probably be only a prelude to municipal control of other public transportation enterprises far more easily handled—the autobus and street-car companies. It was quite understandable, therefore, that Arnhold should have the support of both his own transport interests, and of the Chinese Councillors as a whole, when he declared, in his report to the annual meeting of foreign ratepayers, against "the destruction of a Chinese vested interest of the magnitude of the ricksha business, without first giving the owners an opportunity to rehabilitate themselves in the eyes of the public and to reorganize their business in accordance with conditions laid down by the Council," his statement making it clear, as pointed out by the *North-China Daily News* and other publications, that nothing would be done which would really injure this vested interest and help the ricksha-pullers.

The *North-China Daily News* is now proposing—not for the first time—the creation of a Transport Board for Shanghai, "to maintain some sort of balance between the increasing needs of the public and the apparent reluctance of the companies concerned to meet them. In a recent editorial the British organ gave a quotation from a correspondent, "the aptness of which with regard to Shanghai," said the editorial, "is all too painfully apparent," as follows:

> "Experience has shown that however carefully the franchise of a public-utility company is drawn, once the vested interest is installed it is particularly difficult to do anything about it, the monopoly is established and endures. True, questions of fares, routes, etc., seem to be submitted to the Council, but if there has been any debate in the Council Chamber about the public's views of the services, this has never been known."

There is no contradicting this. But it may well be asked what action, on behalf of the public, a Transport Board appointed by the present Council could be expected to take. The public utility interests, associated with others, control the Council. They have already elected H. E. Arnhold, of the International Investment Trust Company, Chairman, and appointed P. W. Massey, of the International Investment Trust Co., head of the Ricksha Committee. Would a Transport Board appointed by the utility interests themselves be likely to take any action on behalf of the public? Or would it simply mean the creation of some new high-salaried positions for employees of the Sassoon and associated interests? We must figure now on the basis of one of the most remarkable interlocking directorates in the world—the Shang hai Municipal Council and the International Investment Trust Company.

JAPANESE PURCHASE HALF INTEREST IN GENERAL MOTORS

IN the issue of *The Review* for May 5 attention was called to the expanding Japanese automobile manufacturing industry and the possible effect of that expansion on the China Market. Attention also was called to the fact that while the motor-car manufacturing industry was expanding rapidly in Japan, that practically nothing was being done in China despite the fact that China constitutes the great market of the future in this important line of activity. Since the foregoing appeared in *The Review* there has been a further significant development in Japan which also is of interest in China. General Motors, Inc., the large American automobile and truck manufacturing concern, has decided to sell a half interest in its assembly plant in Japan to Japanese interests. The report appeared in the *Japan Advertiser* on May 6 and stated that the management of General Motors had decided to sell 20,000 shares or a half interest to the Japanese, the price being Yen 300 a share or Yen 6,000,000 for the half-control. The par value of the shares was stated to be Yen 200 each, which would make the original capitalization of the General Motors, Japan Ltd., Yen 8,000,000. The factory was established in Osaka in 1927 and according to the report it has realized a yearly profit ranging from Yen 8,000,000 to Yen 9,000.000. The Japanese group which purchased a half interest in the plant is headed by Yoshisuke Aikawa, president of the Nippon Sankyo Kabushiki Kaisha, or the Japan Automobile Industry Company which has been interested in the production of cars and accessories for a considerable period. Mr. Aikawa is a nephew of the late Marquis Kaoru Inouye, one of the elder statesmen who died several years ago. Mr. Aikawa's sister is the wife of Fusanosuke Kuhara, prominent member of the Seiyukai party and close affiliate of the Mitsui interests. In 1932 Mr. Aikawa brought about the amalgamation of several industries concerned in the production of cars and accessories into the Japan Automobile Industry

Company which is capitalized at Yen 10,000,000. This company is now engaged in the construction of a factory at Yokohama which it is claimed will be able to produce parts for 20,000 cars a year. As a result of the purchase of a half interest in the General Motors assembly plant at Osaka, the Aikawa interests will be in a position to manufacture most of the parts used in General Motors cars which previously were imported from the United States. Thus, while the Japanese have purchased only a half interest in General Motors, Japan Ltd., it means actually that the Japanese will control the concern through the link-up with the Japan Automobile Industry Company which produces essential parts.

The General Motors assembly plant in Japan was established at Osaka in 1927 with object of competing with the Ford assembly plant which is located at Yokohama. Both have enjoyed a thriving business, particularly since the beginning of the Manchurian affair in 1931 due to the military demand for cars and more recently to the demand for buses in connection with the Japanese military road extension schemes throughout China's northeastern provinces. Although the Japanese have pressed both Ford and General Motors to sell a controlling interest to the Japanese and on occasion have attempted to restrict their activities, particularly the sale of Japanese-assembled cars in the China market, the capitulation of General Motors to Japanese pressure created a considerable sensation in industrial circles in Japan. What effect it may have in Ford's future business in Japan is not known, but the Japanese undoubtedly have assured the management of General Motors that the partnership will be advantageous in increased sales. Since a considerable portion of the output of the General Motors assembly plant in Japan has been sold in China, the new deal naturally is of great interest in this country which must depend upon foreign manufacturers for its growing requirements of both cars and trucks. In connection with our previous consideration of this subject it was pointed out that China had followed a short-sighted policy in not encouraging the large American automobile manufacturing interests to establish branch assembly plants in this country which would serve as the nucleus of a future Chinese auto-industry.

Nishihara Loans and Question of Sino-Japanese Negotiations

THE Japanese newspapers on May 6 published dispatches from Shanghai through the official *Rengo* service stating that the Nanking Government had signed an agreement with K. Uchida, representative of the Toa Kogyo Company, covering the refunding of a $5,200,000 loan to the Peiping-Suiyuan Railway. The report stated the loan agreement was signed April 25 on behalf of the Chinese railway by Chen Chang, the managing director, who is a nephew of Gen. Huang Fu, head of the Peiping Political Council. Following the signing of the loan agreement, Mr. Uchida had a conference with Wang Ching-wei, head of the Executive Yuan and concurrently Minister of Foreign Affairs and also with Sun Fo, head of the Legislative Yuan. Upon his arrival at Shanghai, Mr. Uchida, in the course of an interview with the *Rengo* correspondent said, "I am glad for the sake of the mutual prosperity of China and Japan that the long-pending loan negotiations have been satisfactorily settled.... Thanks to the efforts of Huang Fu and other Chinese statesmen who take a broad view of the situation, the Chinese adopted a sincere attitude throughout the negotiations....agreeing to pay the loan in accordance with a rational plan....it is my hope that the settlement of this long-pending issue will serve as a precedent for the settlement of other outstanding issues." Although not mentioned in the dispatch, reports from north China stated that Japanese interests connected with the Oriental Development Corporation have agreed to make a further loan of $11,000,000 to the Peiping-Suiyuan Railway for the purpose of extending that line westward from Suiyuan province into Sinkiang and also for connecting this Chinese railway with the Japanese railway in Manchukuo.

China's agreement to refund the old Peiping-Suiyuan loan, which was negotiated in December, 1918, is a matter of considerable significance because it constitutes China's first definite move to recognize and refund the defaulted Nishihara loans which have been a source of political controversy between the two countries for the past seventeen years. Most of them were advanced by a Japanese banker named Nishihara who represented the Japanese banking group interested in the negotiations with the Chinese Anfu clique which was in control of the old Peking government during most of the period of the world war. The first opposition to the loans was raised by the Kuomintang at Canton which charged that they were uneconomic and were designed for the purpose of consolidating Japanese military and political power in north China and Manchuria. Later the opposition grew into a nation-wide political agitation culminating in the overthrow of the Anfu clique and a serious boycott of Japanese merchandise. It was proved quite conclusively that little or none of the money involved in the Nishihara loans was used for the purposes mentioned in the various loan agreements and either was wasted in military adventures or was diverted to the pockets of militarists or politicians connected with the Anfu group. As a result the leaders of the Anfu party were driven into exile and many of them are still living in the Japanese zone at Dairen or in the Japanese concession at Tientsin. The total amount of the loans was considerably in

excess of $300,000,000 and since the interest ranged from 7 to 10 percent, it means that the total amount of interest and principal now outstanding probably amounts to between $500,000,000 and $600,000,000. According to the interview with Mr. Uchida referred to in the foregoing, the Japanese bankers apparently have agreed to cancel a considerable portion of the outstanding interest. The following list of the Nishihara loans is reproduced from one of the issues of a Kuomintang paper which was published in Shanghai by Eugene Chen in 1919 and is thought to be complete for all of the loans which were advanced in 1917 and 1918. There were three additional loans amounting to approximately G. $11,000,000 which were advanced to the Peking government in this same period by American banks, which also are in default but they are not included in the list which only includes the Japanese Nishihara loans:

(1) The $7,000,000 Nanzing Railway Loan from Toa Industrial Corporation for the construction of a railway from Foochow, Fukien, to transverse Fukien and Kiangsi to one of the Yangtsze river ports. August 12, 1917.

(2) The $5,000,000 Bank of China Note Loan from Japanese banks for the redemption of paper money of the Bank of China. Term six months, interest, 7 percent, and security $15,000,000 worth of Bank of China notes. August 28, 1917.

(3) The $10,000,000 advance on the Second Reconstruction Loan from the Yokohama Specie Bank as part of the second reorganisation loan. To be repaid, if negotiations for the Second Reorganisation Loan fail, within one year. Interest 8 percent and security, the surplus salt revenue. August 28, 1917.

(4) The Shantung Loan of $1,500,000 from the Toa Industrial Corporation. August 28, 1917.

(5) The second loan of the Bank of Communications of $20,000,000 from the Japanese Exchange Bank, the Bank of Chosen and the Bank of Taiwan. September 28, 1917.

(6) The Kirin-Changchun Railway loan from the South Manchurian Railway of $6,500,000. Payment to be at 91.50. Term 30 years, interest 5 percent. and security the property and income of the railway. October 20, 1917.

(7) The Grand Canal Loan from the Exchange Bank of Japan amounting to $5,000,000. October 20, 1917.

(8) The Chihli Flood Loan of $5,000,000 from the China-Japan Industrial Company and ten foreign banks. Term one year, interest 7 percent and security, the income of three customs and likin depots of the province. October 22, 1917.

(9) The loan for the Printing Bureau of the Ministry of Finance of $2,000,000 from the Mitsui Bussan Kaisha. Term three years, interest 8 percent and payment at 98. January 1, 1918.

(10) The Chihili Flood Loan of $2,000,000 advanced by the Yokohama Speicie Bank on behalf of the Bank Consortium. January, 1918.

(11) The military loan of Tuchun Tsao K'un of Chihli of $1,000,000 from the Mitsui Bussan Kaisha. Security the sharescripts of the Kailan Mining Administration. January, 1918.

(12) The second advance of $10,000,000 as part of the Second Reconstruction loan. Interest 7 percent and security the surplus salt revenue. January 6, 1918.

(13) The Arms Loan of $14,000,000 from the Taiping Company payable at 95. January, 1918.

(14) The Continuation Loan of the Bank of Communications of $20,000,000 from the Japanese banks. Interest 7.5 percent and security $25,000,000 worth of treasury bonds. January 20, 1918.

(15) The Shih Chen Railway Loan of $2,600,000 from the Yokohama Specie Bank. Term one years, interest 7 percent and security the income of the railway. February, 1918.

(16) The Nanzing Railway Loan of $100,000 from the Toa Industrial Corporation. February, 1918.

(17) The Wireless Loan for $3,000,000 for the construction of wireless telegraphic stations under condition that the materials are to be purchased from the Mitsui Bussan Kaisha. April, 1918.

(18) The loan for the redemption of Fengtien military notes of $3,000,000 from the Bank of Chosen. Term three years, interest 6 percent and security the Chatsekow mines, amount payable at 95.

(19) The telegraph loan of $20,000,000 from the Sino-Japanese Exchange Bank. Interest 7.5 percent, commission 1.5 percent and security unmortgaged property of the Telegraph Administration. April 30, 1918.

(20) The Chihli Loan of $1,000,000 from the Bank of Chosen. May 16, 1918.

(21) The Ki-hui Railway Loan of $20,000,000 by the Ministry of Communications from the three Japanese banks. Term 40 years and interest 5 percent. June 18, 1918.

(22) The Yu-kan Mine Loan of $3,000,000. July, 1918.

(23) The third advance on the Second Reconstruction Loan of $10,000,000 from the Yokohama Specie Bank. July, 1918.

(24) The Shensi Loan of $2,000,000. June, 1918.

(25) The Hupeh Loan of $1,000,000 from the Mitsui Bussan Kaisha. June, 1918.

(26) The Central Administration Loan of $2,000,000 from the Ta Chong Company, Japanese. June, 1918.

(27) The Kirin Forestry Loan of $30,000,000 from Japanese banks. Term ten years, interest 7.5 percent and security mines and forests in Kirin and Heilungkiang. July, 1918.

(28) The Shantung Loan of $1,500,000. September, 1918.

(29) The Peking Telephone Loan of $5,000,000. October, 1918.

(30) The Manchurian and Mongolian Railway loan of $40,000,000. October, 1918.

(31) The Shantung Railway Loan of $26,000,000 for the construction of two railways: one between Tsinanfu, Shantung and Chenteh, Chihli, and the other between Kaomih, Shantung and Hsuchowfu, Kiangsu. November, 1918.

(32) The Arms Convention of $20,000,000 for war participation and training Chinese soldiers by Japanese officers and armed with Japanese arms and munitions. November, 1918.

(33) The Peking-Suiyuan Railway Loan of $4,000,000 with the railroad offered to Japanese capitalists as security for the repayment of the loan. December, 1918.

In the introduction to the foregoing list of Japanese loans which appeared in the Kuomintang paper the statement appeared. "The total plunder record of the Peking government loan jobbers has been compiled by the Chinese Citizens Union, a federation of various peace societies in Shanghai .... It amounts to more than $300,000,000, all but about one percent being from Japan.... These loans represent the resources of China that have been 'hocked' at the Japanese pawn-shop, the proceeds going to line the pockets or further the military schemes of the Peking military crowd that is again making a bid for power.... The loans were made between the time Marshal Tuan Chi-jui regained the premiership after the over-

throw of the Chang Hsun monarchy and the present."

Although the foregoing report pertaining to China's signing of an agreement for the refunding of one of the Nishihara loans is based entirely on reports which have appeared in the Japanese newspapers, there have been further allegations of a tendency in Chinese official circles to reach an understanding with the Japanese on this issue. The *Osaka Mainichi* on May 9 published a report from its staff correspondent in Shanghai (dated May 7) stating that the National Government had decided to reorganize the commission for the adjustment of foreign debts which was founded several years ago and originally was headed by T. V. Soong, former Minister of Finance. The report in the *Mainichi* stated that the new head of the commission would be Huang Hsiang-hsi, another close political associate of Gen. Huang Fu, who also had been in Nanchang recently conferring with Gen. Chiang Kai-shek on the general subject of refunding the Nishihara loans. Continuing, the report in the Japanese paper said that in addition to the Japanese effort to effect a refunding of defaulted obligations in China, the Americans and British were making similar moves, this being cited as one of the reasons for the recent visits of Nelson T. Johnson, American Minister and Sir A. M. G. Cadogan, British Minister to Nanking. But of more importance is the apparent tendency of certain members of the old Aufu clique to emerge from their long seclusion and again become politically active in Sino-Japanese affairs in north China. Marshall Tuan Chi-jui, who headed the Anfu government in Peiping at the time of the negotiation of the Nishihara loans, is now a resident in Shanghai. He came here early in 1932 before the signing of the Tangku truce (May 31) allegedly because he did not wish to become involved in the Japanese move to restore the Manchu boy emperor as head of the puppet state. Wang Keh-ming, another member of the Anfu group, has been acting as Gen. Huang Fu's financial representative in Peiping and on frequent trips to Nanking and Shanghai for conferences with Japanese diplomats and financial representatives. Wang I-tang, another influential Anfu member, is now in Japan on a confidential mission for Gen. Huang Fu and finally the more recent report that Huang Hsiang-hsi, another Anfuite, has been appointed chairman of the Commission for the Adjustment of Foreign Debts. Also, there was a report in the *Japan Times* (Tokyo) on May 9 stating that another representative, Ling Huan-hsung, had been sent to Tokyo on a secret mission concerned with the adjustment of Sino-Japanese relations in north China. These various moves of former members of the Anfu clique, combined with reports pertain-in to the refunding of the Nishihara loans, have been responsible for reports in north China that the old Anfu clique may shortly emerge as the dominant political element in north China, headed possibly by Gen. Huang Fu, since Marshal Tuan Chi-jui the former head of the group is now 70 years of age and in enfeebled condition.

That the Japanese are determined to follow up their present miliary control of north China with far-reaching plans for financial and economic exploitation is further indicated in the activities of the Japanese "North China Society" which was organized in Tokyo several weeks ago and is headed by Kenkichi Yoshizawa former Minister to China and later Minister of Foreign Affairs in Japan. In an article by Mr. Yoshizawa which appeared in the *Japan Times* on May 4, he urged that Japan should now take advantage of the present situation to consolidate her interests not only in north China but throughout the country. He claimed that China's leaders, owing to present economic and financial distress occasioned by the anti-Japanese boycott and the revolutionary situation, have recently come to the conclusion that they must accept Japanese assistance. Mr. Yoshizawa then brought up the old subject of Pan-Asianism, "The nations of Japan and China are naturally bound to share each other's fate from a racial viewpoint and to cooperate in preserving the peace of Eastern Asia....We feel this necessity more keenly when we notice a growing international tendency to associate the geographical conditions of every continent on the globe with racial problem....Although there have occurred a series of disputes between the two nations since the Sino-Japanese war....Japan has always endeavored to settle them amicably.... Japan has never entertained hostile feelings against China nor has she ever had any questionable motives which might widen the gap between the two nations....It has been our constant desire that China would depart from such erroneous policies as adopted by the government under the Ching Dynasty and other dicators ignoring the will of the Chinese people and, being conscious of the necessity for cooperation among the nations of Eastern Asia, would share happiness and prosperity with Japan....It is for this reason that Japan has resisted any actions by other nations detrimental to the peace of Eastern Asia....It is on the aforementioned conviction that the Japnese concerned with the situation of China have recently organized the North China Society to study and increase possibilities of Sino-Japanese economic cooperation in north China....Although the real object to which this Society is committed is not limited to north China only, the Society desires to proceed first with those problems near at hand which seem possible of settlement and then to strive for a return of normal relations between the nations on the whole."

The activities of the Japanese North China Society as outlined by Mr. Yoshizawa naturally link-up with Japan's efforts to force China into direct negotiations for an adjustment of outstanding issues leading ultimately to the conclusion of a Sino-Japanese economic and military alliance. But of most importance from an international standpoint is the definite connection between these activities and the recent Japanese "hands-off" de-

claration which caused such a furore among the occidental Powers. Recent disclosures in the Japanese press have shown quite conclusively that the famous Amau statement, which was made public in Tokyo on April 17, had previously been sent to Akira Ariyoshi, Japanese Minister and other Japanese diplomatic emissaries in China more than a week prior to the publication of the declaration in Tokyo. This means that the Japanese hands-off declaration was sent to Ariyoshi and also to Y. Suma, Japanese Consul-General at Nanking about April 9 at about the time Gen. Huang Fu came south for his conference with Gen. Chiang Kai-shek and Wang Ching-wei at Nanchang and with Minister Ariyoshi at Shanghai. This declaration of Japanese hegemony in Asia which was actually written by Koki Hirota, Foreign Minister, was sent to the Japanese diplomatic representative in China for the definite purpose of acquainting the Chinese officials with Japanese policy and also, undoubtedly for the purpose of obtaining their consent to the pronouncement. Whether Gen. Huang Fu actually had a copy of the Japanese hegemony declaration in his pocket while he was in Nanchang urging Gen Chiang Kai-shek and Wang Ching-wei to agree to the opening of Sino-Japanese negotiations for the adjustment of outstanding problems in north China, naturally is not known. But regardless of this point, there is no questioning the fact that the Japanese have been using Huang Fu for the consummation of their schemes in north China which not only involve a military and economic alliance but also a secret agreement whereby China will permit Japan to use north China is a base for the prosecution of war against the Soviets in the event of war between Japan and Russia. The refunding of the Japanese loan, plus reports of further Japanese financial advances to the Peiping-Suiyuan railway for the purpose of extending that important railway into Sinkiang and connecting it directly through Jehol with the Manchurian railways prove that point quite conclusively. The premature publication of the Japanese hands-off declaration and the ensuing antagonism aroused in occidental capitals naturally was embarrassing to Foreign Minister Hirota and caused him to attempt to side-step the complications by placing the blame on Aiji Amau, the spokesman of the Foreign Office who disclosed the declaration to the Japanese newspapers. But while Hirota asked the foreign ambassadors in Tokyo to consider the Amau statement as "officially non-existent" and at the same time stated that Japan intended to adhere to the Nine-Power Treaty, there has actually been no modification of the fundamentals of Japanese policy. This was indicated in Hirota's address before the conference of Japanese prefectural governors in Tokyo on May 4 wherein he reiterated all of the main points of the hegemony declaration and added the further significant statement that Japan in future would not discuss questions of East Asia (meaning China) with any conference of Powers such as occurred at the Washington Conference in 1921-1922.

While there has been a tendency on the part of the Chinese press to regard the Japanese War and Foreign offices as being divided on the China issue, there is no definite evidence of such a split for reports in the Japanese newspapers early in April stated that the Tokyo military authorities had placed before the Saito Cabinet certain fundamental proposals with respect to Japan's policy toward China. That these proposals included the hegemony doctrine is obvious, for that has been the ambition of the Tokyo General Staff since the beginning of the Manchurian affair late in 1931. In a sense the hegemony declaration constituted the culmination of Japanese war policy in Asia, not only in the past three years, but for the past quarter of a century. Hirota's long connection with the reactionary Black Dragon Society, a potent arm of the Tokyo military clique, makes it obvious that Hirota policy and War Office policy are inseparable. It was a combination of War Office and Black Dragon Society which put Koki Hirota in the Foreign Office and the object was to utilize his so-called "adroit" diplomacy for the purpose of enabling Japan to hold her military gains in Manchuria and north China, while at the same time reestablishing friendly relations between Japan and China and the other Powers.

What China's reactions will be when these facts become generally known among the Chinese people cannot be forecasted. Sun Fo, president of the Legislative Yuan, declared in the course of an interview in the *Evening Post* on May 12, that China had not commenced and did not plan to commence negotiations with Japan for the adjustment of outstanding issues such as the resumption of postal and railway communications with Manchukuo or other issues. Unofficial statements to the same effect also have been issued through the *Kuomin* service and in addition there was an emphatic denial of reports in the Chinese newspapers that Consul-General Suma in Nanking had called on Wang Ching-wei and demanded that negotiations be opened immediately and that no other Power or Powers be permitted to interfere. But despite these reports the Japanese newspapers continue to publish reports alleging that unofficial discussions are proceeding. The *Osaka Mainichi* on May 10 published a report from its correspondent at Shanghai alleging that Nanking had consented to Huang Fu's program for an adjustment of Sino-Japanese complications, but that the negotiations had been delayed because of the flare-up over the Japanese hegemony declaration of April 17. It was claimed in this connection that certain officials at Nanking had taken advantage of this situation to again stir up Chinese public opinion against Japan but the situation was not regarded as serious. Akira Ariyoshi, Japanese Minister to China, who is now in Tokyo conferring with officials of the Foreign Office stated in an interview in the *Mainichi* that Japanese policy toward China would follow three definite lines: (1) Special emphasis on economic and financial factors leading in the direction of economic cooperation between the two countries; (2) Urge the Chinese government to reduce the tariff on Japanese products; (3)

Utilize the unexpended portion of the Japanese boxer indemnity for "cultural" purposes in China. Then, finally, there was a report in the Shanghai *Chen Pao* on May 14 stating Yin Tung, director of the Peiping-Mukden railway administration had gone to Peitaiho for the purpose of holding a conference with Col. Shibeyama, Japanese military attache, for the announced purpose of again discussing the withdrawal of Japanese troops from the Great Wall area, "following which Yin Tung will leave for Nanking to meet Gen. Huang Fu." The *Sin Wan Pao* stated, also on May 14, that China, in principle, was not opposed to direct negotiations with Japan, "but China must insist that her sovereign rights must not be impaired." The *Chen Pao* also reported on May 15 that another influential Japanese financier, Mr. Takayama of the South Manchuria railway, had arrived in Shanghai and after conferring with Chinese political and business leaders here he would proceed to Nanking for further conferences. He also planned to see Huang Fu. Lieut.-Col. Hiroshi Nemoto, who served as an attache of the Japanese Legation in Shanghai up to last March and since that time has been director of the press section of the Tokyo War Office, in the course of an article on Sino-Japanese relations which appeared in the May 1 *Gaiko Jiho*, urged that Japan exert military and economic rather than political pressure on China. He declared, "In a sense there is no need for diplomatic political 'engineering' in dealing with China. What should be emphasized as most important in the Japanese policy toward China is the economic and military side.... The military phases of Japanese policy have been emphasized from time to time, but the effort to promote close economic cooperation has always lagged behind the military." A report in the *China Evening News* said that Minister Ariyoshi had notified his friends in Shanghai of his intention to return here on May 22 and that in future all Japanese consuls in China would be instructed to negotiate outstanding issues with the local Chinese authorities instead of operating through Nanking. In the furtherance of this plan, the Tokyo Foreign Office was planning to raise the ranks of consuls stationed in Tsinan, Hankow, Foochow, Canton, Changsha and Chengtu, and emphasis would be placed on financial and economic cooperation.

The Tokyo Foreign Office apparently has decided not to reply to the American Note repudiating Japan's stand on the so-called Asiatic Monroe Doctrine, according to a report which appeared in the *Japan Advertiser* on May 8. Earlier reports in the Japanese newspapers stated that Hirota was planning to reply, insisting upon Japan's right to place her own interpretation on the Nine-Power Treaty. K. K. Kawakami, Washington Correspondent for the *Osaka Mainichi* stated in a dispatch on May 3 that the adverse sentiment stirred up in the United States by the publication of the Japanese hands-off doctrine had the effect of causing both President Roosevelt and Secretary of State Hull to feel that no useful purpose would be served by attempting any formal negotiations with Japan on any subject at the present time. Mr. Kawakami's dispatch stated that a survey of public sentiment throughout America had revealed overwhelming antipathy toward Japan. "Japan's friends, who had hoped that better Japanese-American understanding would follow the Hull-Hirota diplomatic exchange and who had worked loyally for that end at great personal sacrifice, are disappointed and disgusted. They feel that nothing can be done now and that the best thing Japan could do would be for Mr. Hirota to write a courteous reply, thanking Hull for inviting him to suggest plans for better Japanese-American relations, but stating that he will avail himself of the invitation after a personal consultation with Ambassador Saito." Mr. Kawakami then quoted a prominent Democratic politician as saying that Japan had thrown away a golden opportunity, not only at the present time but also last December and no one was more disappointed than President Roosevelt who had hoped to readjust Japanese relations upon a sound basis of mutual concession. A *Rengo* dispatch from New York on May 7 quoted William R. Castle, former Undersecretary of State as advising that the State Department should "sit tight until Japanese policy has been defined or forgotten and then we shall be exactly where we were a few weeks ago."

But while the Tokyo Government has made no reply to the latest American pronouncement on the necessity of observing the Nine-Power Treaty, there has been no lack of discussion on the part of the Japanese newspapers and publicists. Both the *Mainichi* and the *Jiji* agreed that the Tokyo authorities had taken a most serious view of the statements made by Secretary Hull since the American statement embodied views which are in direct conflict with the point of view of the Japanese Government. According to the *Mainichi* the American statement "seems to indicate America's reversion to the so-called Stimson Doctrine. The Foreign Office authorities apprehend that if it is allowed to go unchallenged, Japan's future policy towards China may meet with serious hindrances in its execution. The view is gaining ground among them that a counter-statement should be drawn up and forwarded to the American Government, and made public at the same time. The Foreign Office authorities regret that Mr. Hull's statement treats the unofficial statement of policy by the spokesman of the Foreign Office as though it were authoritative. As was frequently pointed out by Mr. Hirota, the Foreign Minister, to Mr. Grew, the American Ambassador in Tokyo, the Japanese Government has no international obligations to assume responsibility for the statement unofficially given out. The Japanese Government has never before violated the Nine Power Treaty or the Kellogg Pact. Nor has it any intention whatever of offending against these treaties in future. Such being the case, it is held, there was no occasion for the

American Government to call the attention of the Japanese Government to these pacts. Mr. Hull's statement, in its concluding part, says that no nation can, without the assent of the other nations concerned, rightfully endeavour to make conclusive its will in a situation where it involves the rights, obligations and legitimate interests of other sovereign states. This assertion is regarded in a most serious light by the Japanese Foreign Office. Although couched in abstract phrases, it implies the repudiation of Japan's special position in the Far East as well as the fact that Japan is the stabilising force in the Far East, and suggests that in the execution of their respective China policies, all countries signatory to the existing treaties have the freedom to carry out political and economic undertakings on an equal footing, so long as they do not offend against these treaties. Such an interpretation cannot be accepted by the Japanese Government unconditionally. Although diplomatically worded, the statement of the American Government conflicts sharply with the views of the Japanese Government in the above-mentioned respects, and consequently the Foreign Office authorities seem to feel the necessity of issuing an official statement to set forth clearly and candidly the interpretation which the Japanese Government puts on the Nine-Power Treaty, the Kellogg Pact and other treaties bearing on China. As Mr. Hull's statement tends to hinder Japan's future foreign policy seriously, the Foreign Office authorities should address to America a statement expounding the true purport of the so-called Amau statement. Lieut.-General Yanagawa, Vice-Minister for War, visited Mr. Shigemitsu, Vice-Minister of Foreign Affairs and asked the latter's views on the matter. In reply, Mr. Shigemitsu is said to have assured the Vice-Minister for War that, setting apart the propriety of the diction, the Amau statement, in its essentials, expounds the China policy of the Japanese Government, and that consequently this policy is not affected by the criticisms of third Powers. As the Foreign Office authorities adhere to their settled policy, Mr. Shigemitsu further stated, they are now carefully studying measures to be taken in connection with the statement of the American Secretary of State."

The *Japan Chronicle*, British paper at Kobe, in the course of an extended discussion of the situation in Japan following the receipt of the American and British declarations said that Koki Hirota "is beating a retreat as fast, but as gracefully as he can. Japan's 'Monroe Doctrine' is reduced to a shadow. Gone are all the bombastic phrases, 'Japan must share responsibility with China for the maintenance of peace in the Far East; there is no other country with whom she can share this duty.' No longer does Mr. Hirota visualize Japan acting independently, or attempting to prevent China accepting the aid of the Powers. With this new assurance the Powers will probably rest content, though inevitably they will in future regard every Japanese move with more suspicion than ever. The Foreign Office undoubtedly blundered badly in giving out the unofficial statement, because Mr. Hirota's explanation is in reality not an explanation at all, but practically a complete retraction. All that is left to save Japan's face is an 'objection' to financial and technical assistance which may take on a political tinge, and a 'protest' against the sale of arms and airplanes. To balance this there is an assurance of respect for China's sovereignty and territoriality, and no suggestion that any attempt by the Powers to finance Chinese interests against that wishes of Japan will be met by force. It was this implied threat in the 'unofficial' statement which did more than anything else to upset the Powers' equanimity. The clarification means in effect renewed adherence to the Nine-Power Treaty. If Mr. Hirota's explanation may be taken as the last and official word on the subject, the Powers have nothing to be alarmed about—for the time being. The bluff has been called. . ."

Latham Wants to Know if Japan Intends to Fortify South Sea Islands

J. G. Latham, Deputy Premier and Minister of External Affairs of the Federal Government of Australian, and other members of the Australian Good Will Mission to the Far East, arrived in Kobe May 9.

Mr. Latham, on arriving in Tokyo May 10, stated that is was deplorable that there was a worldwide tendency to let trade rivalry interfere with friendship between nations. The mission was met at Tokyo Station by a large delegation of Japanese officials, headed by Foreign Minister Koki Hirota. Later Mr. Latham, Mrs. Latham and their daughter were the guest of the Emperor and Empress at a luncheon held in Homei Hall. Their Majesties presented Mr. and Mrs. Latham with a set of beautifully designed cloisonne vases. Mr. Latham also paid courtesy calls on Foreign Minister Hirota and Premier Saito.

Protesting against a garbled report of his interview with Mr. Hirota, Mr. Latham sent a statement through an Australian news agency to Sydney May 14 from Tokio to the effect that he did not give any pledge that Australia would be willing to commence negotiations regarding outlines of a commercial treaty between Japan and Australia, but he told Mr. Hirota that the return of Japan to the League of Nations would be helpful in bringing about a solution of the Manchurian problem. In answer to Mr. Hirota's question regarding the Australian Navy. Mr. Latham explained that Australia was merely replacing old warships and that after this had been accomplished Australia would have a smaller Navy than at the time of the Washington Conference.

Mr Latham asked the Japanese Foreign Minister if Japan was prepared to announce that she had not fortified her possessions in the South Seas and that she had no intention of so doing. Mr. Hirota answered that he recognized the necessity of such an assurance and promised to give the matter consideration.

The *Japanese Information Bureau* at Tientsin quotes an influential Japanese living in Sydney to the following effect concerning Mr. Latham's visit to Japan: "Japan is becoming an increasingly valuable customer for the purchase of Australian wool, wheat, butter, meat, etc. The feeling of well-informed Australians towards Japan can be expressed in one single word, and that is respect. They have already appreciated during the Great War what Japan has done for Australia. It is these people who still believe in the effect of the Anglo-Japanese alliance and they also know that Japan will buy one-fifth of the total output of Australian wool and they know as well that Japan possesses a strong army and navy. However, there is some fear in Australia regarding the almost defenceless condition of the northern coast. Therefore the Australian government has gradually thought it necessary to send one responsible official of the government to Japan in order to have a full understanding regarding the various problems which affect Japan and Australia, and also to foster and increase the present friendly relations existing between the Japanese and Australian people."

Rengo said that it had become clear from the conversations between Mr. Latham and Mr. Hirota that Australia would shortly send representatives to Japan to conduct negotiations as to how to regulate the trade relations between the two countries.

Among his reports concerning foreign diplomatic situation before the Cabinet Meeting May 15, Foreign Minister Hirota is stated to have referred to the visit to Tokyo of Mr. Latham, saying that it will result in a better understanding of Japan in Australia and that his visit has strengthened the ties of frendship subsisting between Japan and Australia.

China Can Recover Lost Territories if Her Armies Are Nationalized, Says General Chiang

HIGHLIGHTS IN THE EVENTS OF THE WEEK:

1. *Nanking issues denial of direct Sino-Japanese Negotiations.*
2. *Full text of Canton's Statement to League of Nations.*
4. *Fukien troops recapture Yungan from Communists.*
3. *Southwest worried by reported transfer of Gen. Liu Chih to Hunan.*
5. *Panchen Lama Announces Decision to return to Tibet.*
6. *Nanking Huchaos Necessary for Arms imports into China.*

Confidence in China's own ability to recover the lost territories in the North-east was expressed by General Chiang Kai-shek, President of the Military Affairs Commission, in an address at the weekly memorial service held at the Nanchang Military Headquarters on May 8.

Remarkable improvement in the domestic political situation has been achieved during the past four months, General Chiang said. Proof of this, he pointed out, may be found in the successful suppression of the rebellion of Sun Tien-ying by the Shansi Provincial units and of the revolt of the 19th Route Army by the forces in Fukien in pursuance of the orders of the Central authorities. With the liquidation of those revolts, peace and order both in the North-west and in the South-east have been restored.

Continuing, General Chiang deplored that though the Chinese army is the largest in the world—so far as numbers are concerned,—only a portion is devoting itself to the welfare of the nation.

When however the entire Chinese army is converted into a National Army—in fact as well as in name—and employed for the suppression of banditry and resistance against foreign invasion, as eventually it must be, there is hope that much can be achieved which now seems impossible, he said.

"We firmly believe that we can recover our lost territories in the North-east, revive the national spirit and make China a modern and powerful country," General Chiang declared.

Japanese press reports that Y. Suma, the Japanese Consul-General at Nanking, called on President Wang Ching-wei on the 2nd inst. and formally proposed the opening of direct negotiations between China and Japan for the settlement of various outstanding Sino-Japanese issues, are categorically denied by a spokesman of the Ministry of Foreign Affairs on May 9.

When Mr. Suma called at the Ministry on the 2nd, the spokesman pointed out, he was not received by President Wang but by Shen Chin-ting, Director of the Asiatic Affairs Department.

During his conversation with Director Shen, the spokesman continued, Mr. Suma merely offered further explanations regarding the Japanese "informal statement" of April 17. The question of direct Sino-Japanese negotiations was never mentioned.

A spokeman of the Ministry of Foreign Affairs declared on May 9 that the Japanese report from Tokyo circulated in Geneva to the effect that General Chiang Kai-shek is going to visit Tokyo to negotiate with the Japanese Government concerning postal and railway problems is entirely groundless.

The postal blockade against the puppet state of "Manchukuo" is still in full force, declared Lou Kwang-lai, Acting Director of the Postal Department of the Ministry of Communications, in a press interview at Nanking on May 9.

He emphatically denied Japanese reports that the Ministry is contemplating the revision of its postal policy vis-a-vis "Manchukuo" Postal communications with Dairen and the South Manchurian Railway Zone continues in operation, because of Treaty stipulations, he added.

Attitude of Southwest Defined in Statement

In view of the importance of and general public interest in the attitude of the Southwest towards the Japanese Foreign Office spokesman's "Hands-of-China" declaration, we print below in full the text of the statement issued by the Southwest Political Council at Canton on May 27 to the League of Nations and the signatories of the Nine-Power Treaty, denouncing the Japanese pronouncement of policy. The statement, circulated by the Canton *Central Press*, reads as follows:

"The Southwest Political Council of the National Government of China, realising that the statement of policy issued by the Japanese Foreign Office on April 17th not only threatens the independence of China but tends to endanger the peace and order in the Far East guaranteed by international agreements, has to make this statement to the League of Nations, and to the signatories to the Nine-Power-Treaty which are specially concerned with the peace and order in the Orient.

"The statement of the Japanese Foreign Office purports that the friendly relations between China and other powers is subject to the consent of Japan. China is an independent state. She has an inherent right to have free intercourse with other powers and the other powers have the same right to deal freely with China. Interference from a third party can never be tolerated. The Japanese announcement of policy goes far beyond the scope of international practice. It is a flagrant attack on China's independence and a clear evidence of utter disregard of treaty obligations.

"The Japanese Foreign Office, in making the statement, professes to be disturbed by the assistance, given to China by the other powers, which tends to endanger the peace and the amicable relations between China and Japan or to impair the sovereignty and the territorial integrity of China. Perhaps it is needless to point out that since September 18, 1931, it is Japan and not any other power that is responsible for the breach of peace and straining the relations between the two countries and for the violation of China's sovereignty and territorial integrity.

"Should Japan be allowed to have her way along the lines of the statement of April 17th, the consequences would be, besides the questions of security and independence of China, the ultimate elimination of the "Open Door," the Covenant of the League of Nations, the Nine-Power-Treaty, the Briand-Kellogg-Pact, and other existing systems aiming at maintaining international peace and order.

"In the attempt to force her 'Monroe Doctrine' upon China, Japan claims her 'special position' in the Far East which has never been recognised by China. It may be interesting to note how Japan has made use of the so-called 'special position.' The chronical instigation to civil wars in China and the recent invasions of the Chinese territory are the typical examples. It can be easily seen that Japan's 'Monroe Doctrine' will bring disaster to the Far East and also the world at large. It devolves on the League of Nations and signatories to the Nine-Power-Treaty to preserve the peace of the Far East by taking a strong stand vis-a-vis the Japanese statement of policy which seems to prepare the way for the 'Monroe Doctrine' of the Orient.

"The Chinese people have endeavored to build up a peaceful and unified nation so that China will be better able to discharge her duties among the family of nations. To reach this objective, a movement has been carried on in the past twenty years with a view to eliminating military despotism and establishing a democratic government. But for Japan's interference in stirring up civil wars and in looking for territorial expansion, China's unification might have already been achieved. It is, however, a fact that, due to the resolute efforts on the part of the people, China is now much nearer to unity than was ten years ago.

"If it is the interest of the world to see a united China throwing her weight in the scale of peace, it is imperative that Japan's territorial aggression and interference with the internal affairs of China should be immediately stopped.

We look to the League of Nations and the signatories of the Nine-power-Treaty, in exercising their powers and discharging their obligations under these solemn pacts, for making them practical instruments of peace.

"The Standing Committee of the Southwest Political Council, Tong Shao-yi, Shao Fu-shang, Tang Chak-yu, Chan Chi-tong, Li Tsung-jen, Chau Lu."

According to a *Chen Pao* telegram from Nanking, May 9, the Central Government has received reports to the effect that the Japanese have the intention of creating military disturbances in South China with the aim of forcibly suppressing the boycott movement there. It is said that the Japanese will first invade Fukien and Kwangtung and then send air squadrons to attack Hunan and Kwangsi. The Central Government has warned the Southern leaders to take all necessary precautions.

The *Ta Wan Pao* at Shanghai reported on May 8 that the authorities of the Japanese Kwantung Army have recently approached Chinese leaders in the North asking for immediate negotiations for settling outstanding Sino-Japanese questions. According to Japanese press reports, the representative in Tokyo of a certain important Nanking leader has visited Ariyoshi and other Japanese notables requesting a delay in the commencement of North China negotiations. Kwangtung Army authorities, however, have indicated to the Japanese Foreign Office that they are strongly opposed to complying with the Chinese request. They insist that North China negotiations should be instituted within the prescribed time-limit and no further delay entertained. In view of their strong attitude, the situation in North China has apparently taken a turn for the worse.

Meanwhile, a spokesman of the Japanese Legation Office in Shanghai has denied Japanese press reports that Y. Suma, Japanese Consul-General in Nanking, has requested Wang Ching-wei, the Foreign Minister, to start diplomatic negotiations with Japan.

Rengo reports that Akira Ariyoshi, Japanese Minister to China, is expected to return to China on May 25.

General Huang Fu, Chairman of the Peiping Political Affairs Readjustment Committee, accompanied by Madame Huang, arrived at Shanghai from Hangchow on May 12, travelling by motor car on the Shanghai-Hangchow Highway.

A Nanking dispatch on May 11 says General Huang Fu has definitely withdrawn his resignation in complance with the wishes of President Wang Ching-wei and General Chiang Kai-shek. General Huang will return to Peiping after meeting Mr. Ariyoshi when the latter returns to Shanghai from Tokyo, according to *Chew Pao*.

According to a *Rengo* dispatch from Tientsin published in the *Japan Advertizer* on May 2, rumor is current in Tientsin that General Huang Fu is about to submit his resignation to the Nanking Government because of the diminishing likelihood of a speedy settlement being reached of impending Sino-Japanese differences.

Fearing that the postponement of General Huang's return to the North will lead eventually to a more permanent absence from his political position, Japanese circles in Tientsin regard the resignation rumor with considerable pessimism, pointing out that General Huang has been called sole possessor of the key to a quick and general solution of international problems lying between China and Japan.

The proposals submitted by the Foreign Relations Committee of the Legislative Yuan advocating the invocation of the Washington Nine-Power Treaty against Japan was discussed at the meeting of the Central Political Council at Nanking on May 9. It was finally decided to forward these proposals to the Ministry of Foreign Affairs for reference.

Liu Yu-hsun, member of the Legislative Yuan, who drafted the proposals together with 14 other members of the Legislative Yuan and Control Yuan, visited the Executive Yuan at 11 o'clock that morning to submit a joint memorandum on measures to be adopted by the national government for coping with the Sino-Japanese problems in North China.

"The national crisis must be overcome by our own efforts," declared Chang Chi, member of the C. S. C., who visited Foochow early this month, in an address at the enlarged weekly memorial service at the Fukien Provincial Government House on May 7. Pointing out the increasing gravity in the foreign and domestic situation, Mr. Chang said that the nation must not rely on the support of others for her own salvation. The people must, regardless of their station in life, awake to the realities of the situation, and strive in unision for the solution of the crisis.

Fukien Troops Recapture Yungan from Communists

Yungan, an important city 70 miles south-west of Yenping in western Fukien, has been recaptured by the Government forces. The city which was taken by the "Reds" under Lo Ping-hui on April 18, was recovered on May 10, when the 52nd Government Division broke through the last enemy line and entered the city. Other Government troops are pursuing the retreating Reds.

Servere fighting has occurred in the neighborhood of Kungchuan, about 15 miles north of Yungan, in northern Fukien. As Kungchuan commands the route to Yungan city, the "Reds" have erected strong defence works there.

In spite of the attacks made by the Government troops the Communists at Changting are still holding their positions, which is their last stronghold in western Fukien. Changting has been under Red control for several years and the Soviet system has already been introduced into that area. Juichin, the capital of the "Soviet Government," is only eighty Chinese li from Changting, so the Reds have to hold the latter city at any cost in order to make safe "Red capital."

Chu Teh, commander-in-chief of the Red army, is at Changting directing operations in person. Mao Tse-tung, the administrative leader of the "Soviet Government," is at Juichin but he is seriously ill with lung trouble. The Reds at Changting have drawn up three defence lines in western Fukien, the first line at Nanyang, the second at Chiuhsien and the third at Paisha. The first line has already fallen into the hands of Government forces and fighting is now centred along the second line.

In line with his policy of employing political means along with military measures in stamping out the "Red" evil, General Chiang Kai-shek, President of the Military Affairs Commission, has issued a circular order to the military authorities of the bandit-affected province, strictly forbidding unscrupulous elements among the local gentry to hinder the surrender of "Red" soldiers.

Adequate protection and fair treatment should be accorded to surrendered bandits so as to encourage others to return to the Government fold.

Seizure of arms from the surrendered bandits and the extortion of money from them should therefore be discouraged. Severe punishment will be meted out to those transgressing the order.

General Han Fu-chu, Chairman of the Shantung Provincial Government, is reported to be coming to Nanchang before the end of the month to see General Chiang Kai-shek and report on the civil and military affairs of Shantung.

A meeting of Directors of the Provincial Peace Preservation Bureaux for Honan, Hupeh, Anhwei, Kiangsi and Chekiang will be convened at Nanchang by General Chiang Kai-shek, President of the Military Affairs Commission, at the end of the month. They have received summons to proceed to the Kiangsi Provincial capital before the 29th Inst.

For the thorough eradication of the "Red" bandits, an extraordinary military conference was convened by Generals Chen Chi-tang, Li Tsung-jen at Canton May 15. All ranking commanders participated in the conference.

The despatch of additional Hunan troops to Shangtu and Chungyi, south-western Kiangsi, to strengthen the local defences is requested by General Yu Han-mou, Field-Commander of the 1st Column attached to the Southern Route Bandit-suppression Forces, in a telegram to General Ho Chien, Commander-in-Chief of the Western Route Bandit-suppression Forces.

General Ma Chan-shan, former Chairman of the Heilungkiang Provincial Government, General Mi Chun-lin, former Acting Chairman of the Liaoning Provincial Government, Liu Shang-ching, former Minister of Interior, Wan Shu-han, member of the Peiping Political Affairs Readjustment Committee, and General Ho Feng-lin, former Gendarmerie Commander of the Shanghai-Woosung Area

in the Peking regime, arrived at Hankow from Peiping by train May 10 to see General Chang Hsueh-liang, Vice-Commander-in-Chief of the Bandit-suppression Forces for the Provinces of Honan, Hupeh and Anhwei.

The communists in Szechuan, since their withdrawal to Tungkiang, have been much reduced, their present number being estimated at 20,000 men with rifles. In order to preserve fighting strength as much as possible they have decided to shorten their defence line. There are signs that they are trying to withdraw into Southern Shensi.

The communist military council has disbanded the guerilla forces and taken back their arms.

The various route armies of the Szechuan Bandit-suppression Forces under General Liu Hsiang are storming Tungkiang, the only remaining "Red" stronghold in northern Szechuan, from three directions. The "Reds" are putting up a desperate resistance.

To facilitate their retreat to southern Shensi in case of defeat, a portion of the Reds has occupied Chenpa, in the extreme south of Shensi. General Liu Hsiang has requested General Yang Hu-cheng, Director of the Sian Pacification Headquarters, to check the flight of the marauders into southern Shensi.

Canton Perturbed by Reported Transfer of Liu Chih to Hunan

Some nervousness has been created in Canton by the report that General Chiang Kai-shek intends to transfer General Liu Chih, Governor of Honan to the governorship of Hunan and to appoint General Ho Chien Pacification Commissioner of Hunan and Hupeh.

It is stated in Canton that over 10 divisions of Nanking troops are at present massed on the Fukien-Kwangtung border.

The authorities in the South-west are greatly perturbed and are keeping a close watch for further development, says *Reuter* on May 11.

Preparations are under way in Canton to expand the military machinery of Kwangtung with the object of strengthening the defense of the province against possible attack.

General Chen Chi-tang, Commander of the Kwangtung Provincial Forces, has issued orders to the various Kwangtung units to strengthen the defences at Swatow, Canton and Hainan island respectively. The Commanders are empowered to take command of the local military and police units in the event of an emergency.

Military and political leaders in Kwangtung, Kwangsi and Fukien have decided to hold a National Defense Conference of South China at Canton sometime this month. General Chen Chi-tang and General Li Tsung-jen, have dispatched a joint telegram to General Chiang Ting-wen, Commander-in-Chief of the Eastern Route Bandit-Suppression Forces and General Chen Yi, Chairman of Fukien Provincial Government, inviting them to attend the conference in person.

At the National Defence Conference, it is understood that General Chen will propose the increase of the Kwangtung and Kwangsi troops by two divisions each in order to strengthen the defence of South China.

Owing to pressure of duties in connection with the campaign against the Communists in Fukien, General Chiang Ting-wen, has telegraphed to General Chen Chi-tang explaining his inability to attend the conference in person, according to a *Chekiai* message from Foochow May 10. General Chiang notified General Chen that he had appointed a high staff officer of his Headquarters to be present at the Conference on his behalf.

A *North China Daily News* correspondence from Hongkong on May 2, states that while the National Government and the Canton authorities are taking a great interest in the coming conference of Japanese Consuls-General in Formosa to be called by the Japanese Governor-General, because of its political importance, foreign merchants in Hongkong are also interested in the meeting, which is believed to be prompted in part by a determination to improve Japanese trade in Hongkong and South China.

A new Japanese trade agency has recently been established in Hongkong for the main purpose of pushing the sale of Japanese goods in South China, following the cessation of the boycott and other anti-Japanese activities in Kwangtung.

With the revival of Japanese trade in Hongkong and South China, importers of textile goods from Lancashire are worried by competition. Importers of bicycles have to compete with Japanese vehicles which are half the Birmingham prices. Hongkong does not need many bicycles owing to the hilly roads on the Island, but the interior offers a good field following the widening of narrow paths in to motor roads.

The fraudulent practices of Japanese merchants in imitating competitors' goods and trade-marks and dumping their products on the market, has greatly affected trade in Hongkong and Canton. It is reported that the Kwangtung and Hongkong authorities will shortly confer in order to devise concerted measures for curbing the dumping.

In order to cement the bond between the South-western and Central authorities, it is reported that Generals Chen Chi-tang and Li Tsung-jen have submitted a joint memorandum to President Wang Ching-wei and to General Chiang Kai-shek. The memorandum recommands that the Kwangtung National Defence Committee be organized and expanded into a Liang-Kwang (Kwangtung-Kwangsi) National Defence Advisory Council, with Generals Pai Chung-hsi and Miao Pei-nan as Chairman and Vice-Chairman.

A National Defence Conference should be convened immediately by the Central authorities at the Capital. This conference will answer a double purpose. In the first place, the country's military leaders may gather together for an exchange of views; and secondly, it will serve to demonstrate the units of the country.

It is understood that the National Government is planning to appoint General Chen Chi-tang the first Governor of Kwangtung. A telegram has already been sent to General Chen asking his views regarding the matter.

Serious differences between Generals Wang Chia-lieh and Yun Lung, Chairmen of Kweichow and Yunan respectively, may develop into a civil war. It is reported that General Yun had recently despatched a large force to the Kweichow border and a tense situation prevailed there.

The wave of the New Life Movement, sponsored by General Chiang Kai-shek is now sweeping over this remote province, according to a *Chekiai* telegram from Kwangtung May 11. Under the leadership of General Wang Chia-lieh, Chairman of the Kweichow Provincial Government, a Kweiyang Association for the Promotion of the New Life Movement has been formed. At the formative meeting of the Association on May 9, General Wang was elected Chairman with twelve other high officials at Kweiyang as exectutive members of the Association.

Panchen Lama Announces Decision to Return to Tibet

"I have decided to return to Tibet as soon as possible," said the Panchen Lama, in an interview at Hangchow May 9. The spiritual ruler of Tibet is at present attending a Buddhist Convention (National Prayer Meeting). He is returning to the Capital on the 21st inst. to confer with the Central authorities.

A personal representative of General Chiang Kai-shek, President of the Military Affairs Commission, arrived at Hangchow on May 13 to urge the Panchen Lama to return to Lhassa as early as possible in accordance with the instructions of the Central authorities and in fulfilment of the wishes of the Tibetan people. In the meantime, General Chiang invites the Panchen Lama to take a trip to Nanchang for a conference.

The Panchen Lama received on May 10 at Hangchow the Anchin Hutuketu, his personal representative to Tibet, and Tingchi Hutuketu, representative of the Tibetan people, who handed to him an autograph letter wrtiten by the Dalai Lama, temporal ruler of Tibet, before the latter's death, and conveyed to him the desire of the Tibetans for his early return to Tibet.

Generals Tang and Sun Now High Military Advisors to Peiping Council

Generals Tang Yu-ling and Sun Tien-ying, respectively former Chairman of Jehol and Commander of the 41st Army, have been appointed high military advisors to the Peiping Branch Military Affairs Commission by the Commission in compliance with the recommendations of General Sung Chih-yuan, Chairman of Charhar, *Reuter* reports on May 12. General Sung said that both Generals had rendered "meritorious services" to the Government through their voluntary surrender of their military power to the Government. General Tang has announced acceptance of the appointment, while General Sun has not yet made known his attitude.

The Mongolian and Tibetan Affairs Committee has petitioned the Executive Yuan suggesting the revival of the conscript system in Inner Mongolia. At the same time, the Committee is making a study of the matter with a view to drafting all the necessary regulations.

Pai Yun-ti, member of the C. E. C. and concurrently member of the Mongolian Local Autonomy Political Affairs Council, in an interview at Nanking on May 11, said that the Council has jurisdiction over 68 Mongolian Banners, each of which was represented at its inaugural ceremony. The immediate program of the Council, he added, will be the taking of a new census of the population of Inner Mongolia, establishment of schools, opening of factories and development of communications in Mongolia.

Chang-Chia Hutuketu, the "Living Buddha" of Chinghai (Kokonor) arrived at Wutai-Shan on May 9 from Peiping to see General Yen Hsi-shan.

General Fu Tso-i, Chairman of the Suiyuan Provincial Government will shortly proceed to Nanchang to see General Chiang Kai-shek, President of the Military Affairs Commission, reporting on the disposal of the former 41st Army under Sun Tien-ying.

Breaking through the cordon thrown by the combined Shansi-Suiyuan and Charhar units at Chiapushih (monastery), along the Charhar-Suiyuan border, on the night of the 6th, 2,000 bandits under Yang Hsiao-Hou have escaped eastwards toward eastern Charhar. General Sung Che-yuan has ordered the Charhar troops to give chase to the bandits. General Sung is now in Tientsin.

Nanking Huchaos Necessary for Arms Imports Into China

The Ministry of Foreign Affairs has notified foreign Ministers in China that arms and ammunition from abroad will be only allowed to enter China when they are covered by proper *huchaos* issued by the Central Government. The Foreign Office deemed it desirable to draw the attention of foreign countries to this matter because of its importance.

A set of measures for the improvement of the judicial system in Sinkiang province has been formulated by the Sinkiang Reconstruction Planning Committee under the Executive Yuan. It will be referred to the Judicial Yuan for advisement.

These measures include, firstly, improvement of the Sinkiang Provincial High Court at Tihua, capital of Sinkiang, and secondly, training of judges for the various grades of Courts in Sinkiang.

Commencement exercises for the 9th Class of cadets of the Central Military Academy were held at Nanking on May 8 at a ceremony attended by thousands of military and civilians. Among those present were President Wang Ching-wei, General Tang Sheng-chih, General Ho Yao-tsu, and General Tsao Hao-sen, who each delivered a brief address calling upon the graduates to be loyal to the cause of the Party and the State and to work tirelessly for the promotion of the national welfare.

Both General Chiang Kai-shek and General Ho Ying-chin sent messages, which were read by General Chang Chih-chung, Dean of the Academy.

General Chiang presented each graduate with a medal and a handsome sword. The cadets will be dispatched to Hupeh, Kiangsi, and North China for 6 months' field training, after which they will be given their diplomas.

Admiral Chen Shao-kwan, Minister of Navy, declared that the Ministry of Navy will hold a naval review in Tsingtao waters sometime this month and he will proceed there to inspect the review in person.

The *Chekiai* Agency reports on May 7 that a large naval manoeuvre to be participated by fourteen warships will be held in the middle of this month at the Hsiangshan bay in Chekiang. The manoeuvre will last from two to three weeks and its field will extend from Hsiangshan to the Fukien coast up to Amoy.

General Huang Shao-hsiung, Minister of Interior, departed for Kiukiang on May 12 by air to see General Chiang Kai-shek, President of the Military Affairs Commission, reporting on his observations during his recent inspection trip to Northwestern Provinces, reported *Chekiai* on the same day. General Huang expects to remain in Kiangsi for four days, after which he will return to Nanking and continue his inspection tour to other provinces.

General Tsou Tso-hua, member of the Training Committee attached to the Peiping Branch of the Military Affairs Commission, arrived at Nanking from Peiping May 7. After spending a week inspecting the various military organs at the Capital, the party will leave for Hangchow to visit the Flying School.

In order to collect and examine the criticisms and suggestions on the draft Constitution submitted from various quarters, a Draft Constitution Examination Committee has been appointed by the Legislative Yuan composing of 25 members with Fu Ping-chang as Chairman. The work of the Committee is to be completed by the end of June.

The Shantung Provincial Government has decided to appropriate a sum of $40,000 for the reward of the Provincial Forces, whose indefatigable efforts have brought about the total liquidation of the bandits under the notorious Liu Kuei-tang.

The Central Party Headquarters has issued a set a regulations governing the "New Life" movement. The regulations consist of a set of 15 articles, which, according to the orders of the Tangpu, must be observed by the public. The most important points in the regulations are as follows:—

(a) The people should not be superstitious;

(b) School teachers and students should visit villages on Sundays to correct the bad habits of the farmers and tell what is the best for them to do;

(c) Party workers must see that all superstitious events like the worshipping of gods be stopped;

(d) Theatrical performances should be given as means for introducing reforms into the interior;

(e) All existing ceremonies should be simplified;

(f) Dinners should be held promptly and the guests invited should also arrive promptly.

C. H. H.

Mosquito Paper and Restaurant Raided Because of Dealings with Japanese

A gang of some 15 members of the so-called "China Iron and Blood National Salvation Corps" raided and caused damage to the printing plant of the Ta Chin Pao or "Great Crystal," a popular "mosquito" paper in Shanghai, at Ningpo Road, a few yards from the entrance to the Louza Police Station, in the morning of May 12.

Two of the invaders gained entrance at 7.10 a.m. and inquired for the proprirtor of the paper, Feng Mon-yung, who recently returned from Japan where he visited the Nagasaki Industrial and Tourist Exposition with an excursion party organized by the Japanese newspaper here, the *Shanghai Mainichi*, despite warnings against his trip sounded by the "corps."

Finding Feng not in office, the invaders signaled their followers and upset all the type cases in the printing department. They took away a complete file of the paper and made a clear getaway. Handbills denouncing Feng for his pro-Japanese feelings were distributed as they escaped.

Another incident of terriorstic nature occured in the evening of May 10, when a bomb wrapped in brown paper was thrown into the well-known Cantonese restaurant "Hsin Far Lou" on Foochow Road because of the restuarant's alleged dealing in Japanese sea products. The bomb failed to explode, but the staff of the restaurant was greatly scared by the throwing. The police were immediately notified and a radio van crew clad in steel waistcoats arrived on the scene. The bomb thrower was arrested and after being tried by the First Special District Court, was sentenced to three months' imprisonment.

Chinese Press Discusses U. S. Repudiation Japan's Claim to Special Position

Commenting on the United States' statement in relpy to Japan's recent "Hands-off-China" declaration under the heading of "Japan and the United States" on May 8, the Peiping *Chen Pao* (Morning Post) states that there is an agitation in Japan that Japanese Government issue a formal statement clarifying its position towards China and the Far East, pointing out that there are many points in the American statement which should be challenged. After expressing regret to America's reference to the Nine Power Treaty and Kellogg Anti-War Pact, the Japanese contend that in asserting that no nation can, without the assent of the other nations concerned, rightfully endeavour to make conclusive its will in situations in which are involved the rights, obligations and legitimate interests of other sovereign states, the United States has denied the claim of Japan to a paramount and special position in the Far East and at the same time reaffirmed the claim of other Powers to an equal voice in Far Eastern affairs, a claim which Japan cannot accept.

The Japanese further contended that during his visit to the United States last year, Viscount Ishii reached an understanding with President Roosevelt regarding Japan's special position in the Far East, and that the recent American statement amounts to a repudiation of this understanding and a reaffirmation of the Stimson doctrine of non-recognition. Hence a formal Japanese statement is necessary.

That the attitude of Great Britain with regard to the recent Japanese declaration is different from that of the United States has been demonstrated by the events of the last two weeks. Moreover, Sir John Simon, the British Foreign Secretary, declared in the House of Commons last week that Japan had special rights in China 'recognized but not shared by the other Powers.' This is exactly what the recent Japanese declaration sought to accomplish.

After pointing out the difference of attitudes on the part of the two Powers, the *Chen Pao* expresses the opinion that if the Powers are interested in maintaing their fidelity to the Nine Power treaty, they should, shortly after the issue of the Japanese declaration, refuse to recognize Japan's claim instead of asking her to explain the statement. But the British statement is silent on the Japanese claim. This is not due to any lapse on the part of the British diplomats but to an implied understanding between the two countries.

It should be noted that the term "special position" has a very important and significant meaning. When Japan started her aggressive programme in Korea she announced to the world that there was a special position existing between the two countries. This claim later paved the way for the annexation of Korea. The same line of argument has been used by Japan in regard to Manchuria and is now being employed again in regard to China Proper. It is most essential that this fact be recognized by the Chinese people.

Foreshadowing the eventual political and military conflict between Japan and Great Britain due to trade competition, the *Central China Daily News* in Shanghai on May 11 commented:

"The fundamental conflict between Japan and Britain has not arisen all of a sudden but has been brewing for a long time. To realise her dream of conquering the Asiatic mainland, Japan well knows that she must play off once big power against another. Some Japanese advocate a revival of the Anglo-Japanese alliance for the purpose of resisting the United States and the U.S.S.R., while others favor joining hands with America to oust the other two countries from the Far East. Nevertheless, it has been the consensus of opinion in Japan, as well as a fixed principle of Japanese foreign policy, that Japan should attempt by all means to prevent Britain and America from combining against her.

"True, Japan and Britain were formerly allies, but the purpose of their alliance was lost when Japan won the Russo-Japanese war and following annexation of Korea Japan has since built up her present position throughout China and in India. Japan's trade with China, which was hardly significant during the time of the Russo-Japanese War, exceeded that of Britain in 1930, while Japan's share of the Indian trade rose from 18% in 1928 to 47% in 1932. Thus the British cannot but be directly affected by the execution of Japan's continental policy.

"Apart from China, Japan has also established a strong position in the Straits Settlements, Australia, India, Persia, South Africa and Egypt. It seems that Japan has been extending her trade by the same route as Britain came to the East. Lancashire's trade with Africa decreased by one-third last year and that with the Sudan also registered a 50% decline, all the lost ground being taken up by Japanese goods. As Japan, with the assistance of cheap labor and a deflated currency, increases her exports by leaps and bounds, Britain is losing her position not only in China but in the entire Orient. Herein lies the fundamental conflict between the two island empires, and so long as they cannot effect a commercial rapprochement it is impossible to expect that politically they will stand on common ground. Their differences are bound to affect the position in the Far East. The fact that Britain has, of late, been increasing her military strength in Singapore and Hongkong indicates that she is determined to maintain her declining position in the Pacific."

While Nanking emphatically denies that Y. Suma, Japanese Consul-General at Nanking, was ever received by President Wang Ching-wei and proposed to him the opening of direct negotiations between China and Japan, the Peiping *World Daily News* in its editorial on May 6 gave the following interesting details regarding the alleged interview:

"Acting under instructions from the Tokyo Foreign Office, Mr. Suma called on Mr. Wang Ching-wei on May 2 and explained the position of the Japanese Government in regard to the recent declaration of policy. Besides he is reported to have made clear the following two points:

1.—For the purpose of safeguarding the peace of Far East the Japanese Government is desirous of settling all the outstanding issues with China as soon as possible; and
2.—For the settlement of these questions direct negotiations should be started between the two countries without the interference of of any third country.

"According to Japanese reports there are more than 1,500 cases pending between China and Japan. Whether this is true is problematical.

"A *Tass* report from London says that Japan and China will shortly enter into direct negotiations. According to the *Daily Herald* quoted by *Tass*, the questions pending settlement include:

1.—China's recognition of Manchukuo;
2.—China recognized that Japan has special interests in North China, particularly in Peiping;
3.—Without Japan's consent China shall not raise foreign loans with other countries;
4.—China to accept Japanese assistance in her economic reconstruction program; and
5.—China not to engage foreign advisers (except Japanese) for her naval, army and air forces.

"Proponents of direct negotiations point out that there is no alternative for China but to enter into negotiations with Japan, since both the United States and Great Britain have come to an understanding with Japan, while other Powers are not likely to intervene independently of these two countries. In a recent address at Nanking, Wang Ching-wei, President of the Executive Yuan, said that with the government beset by difficulties both within and without no one could be absolutely sure of his ability to overcome the national crisis. In our view this is another argument for the opening of direct negotions with Japan.

"These arguments do not take into account the permanent interests of China but are colored by the immediate needs of the moment. We maintain that China should not enter into direct negotiations with Japan even from the standpoint of International Law. Strictly speaking, China is to-day a neutralized state like Belgium in 1914, for the Nine-Power Pact guarantees her territorial and administrative integrity and provides for common action by the signatory powers in the event of such integrity being violated. Japan is a signatory of the Nine-Power Pact and should abide by its engagements. If China accepts her overtures for direct negotiations, it will be tantamount to our agreeing to abet Japan in overriding the Nine-Power Pact."

C. H. H.

Japan's Unpleasant Alternative---More Loans or Heavier Taxation

IN the course of a speech at the dinner given by the Japan Economic League April 30, Mr. Mitsuchi, Minister of Railways, said that Japan is now beset with many financial problems, one of the more important of which is how to secure an equilibrium between revenue and expenditure. Mr. Mitsuchi said there must necessarily be heavy taxation and the economy of expenditure in a drastic manner, but it is open to doubt whether the Japanese industry can stand such measures at present. Some people are urging the necessity of taxing the munitions industry and other industries, which have been reaping enormous profits of late, but the taxation system of Japan is so contrived as to increase the taxes progressively where profits increase. Such being the case, to levy a new special tax in addition to the one already imposed might entail something very irrational, Mr. Mitsuchi said. In carrying out the increase of taxes every care must be taken not to cause any sudden changes in industrial economy, he added.

Mr. Hijikata, governor of the Bank of Japan, in an interview given to the *Osaka Asahi* May 2 expressed the opinion that further reduction of the bank deposit rate is difficult, and that if such a step is carried out arbitrarily, it might have destructive results in Japan's financial circles. He said the only way open for the relief of uncontrollable inflation is to fight against the further increase of the "red ink" bonds. The recent change perceived in the attitude of Finance Minister Takahashi, who had hitherto rigidly opposed a tax increase, may better be understood if one looks at it from the angle of the glaring necessity of reducing the deficit-covering bonds, Mr. Hijikata added.

Dr. Suzuki, President of the Seiyukai, interviewed recently by the Tokyo *Asahi*, said that in the event of an agreement of policy being reached between his party and the Minseito on the rice, the thought and the educational problems, the Government will be asked to carry out this agreed policy. In pursuance of its open pledge in the Diet, Dr. Suzuki declared, the Government must call an extraordinary session of the Diet. If it attempts to falter in this clear duty, his party must demand that the Government convoke it. The Government's refusal to comply with this demand will force his party to adopt a resolute attitude and introduce a non-confidence resolution as soon as the next ordinary session of the Diet meets, Dr. Suzuki said.

The appointment of Baron Ikki, former Minister of the Imperial Household, as President of the Privy Council to succeed Baron Kuratomi, has proved popular. Baron Ikki was at one time Vice-President of the Privy Council. He also held the portfolios of Education and Home Affairs in the Okuma Cabinet. He is stated to be a man of strict probity, and as a jurist also has an established fame.

The Irony of Possible Diet Dissolution

Dr. S. Washio, writing in the *Japan Advertiser*, May 4, says:—"It is an ironical development that the dissolution of the Diet has lately come to be increasingly advocated by the political parties. Toward the close the last Diet session, Mr. Izawa surprised us by suggesting it in his interpellation in the House of Peers. Immediately after the close of the session it was advocated in a meeting of the Minseito by one of its leaders as the only thing left for the Cabinet to do. A demand has grown within the Seiyukai also that it may well be brought about in a special session of the Diet, and it would be the best expedient to consolidate the diverse interests and influences existing within the party into a unified whole. It has been rumored that Mr. Hatoyama has personally approached Premier Saito advising dissolution of the Diet as the best way to solve the existing political deadlock. The term of the present Diet is due to expire in the next ordinary session, and even to members instinctively adverse to the suggestion of dissolution, there may be a feeling that it is only a question of a few months more or less. But as a practical policy there is a great difference between waiting for the automatic expiration of the present Diet and dissolution as the result of a clash of the polical parties with the Cabinet in a special session of the Diet on some question of policy. The former will be mechanical, but the latter will be an issue of the prestige of the political parties versus the continuation of an abnormal Cabinet like the present one. It is obvious that the Saito Cabinet would prefer an automatic dissolution, while the political parties would make the issue as significant as possible for the defense of their prestige."

Finance Minister Korekiyo Takahashi, in a statement read at the 29th annual meeting of Japan's clearing houses, said that Japanese foreign trade showed an increase of 32.5 per cent during 1933, as compared with the prevous year. "Furthermore, during 1934 so far, further increases are appearing. Mr. Takahashi stressed that the exchange control law of the government has fulfilled its purpose in stabilizing the yen. He declared that the previous method of issuing government bonds through the Bank of Japan will be maintained in the future. He asked for full cooperation of financial leaders toward this end. He pointed out that the general business condition of Japanese banks is excellent.

Foreign Trade Shows Increasing Adverse Balance

Japan's foreign trade balance for April was more adverse than that for the corresponding period last year, according to a statement issued by the Tokyo Finance Ministry May 4. An excess of imports during the month totaled Yen 44,164,000, a jump of of Yen 19,993,000 over the previous year. Exports in April gained, to Yen 164,629,000, from Yen 133,151,000 of the year before, but imports increased more, to Yen 208,793,000 from Yen 157,222,000 the year before. The April trade volume was worth Yen 373,422,000, an advance of Yen 83,049,000 over the preceding year. An excesss of imports over exports for the first four months of 1934, however, amounted to Yen 108,829,000, a decrease of Yen 83,049,000 from the corresponding period in 1933.

Japan's cotton trade last year showed an adverse balance of Yen 132,951,000, or nearly twice as much as the previous year. Exports registered an increase of 25 per cent, while imports jumped 36 per cent.

A Yen 20,000,000 favorable 1933 balance of invisible exports over imports is forecast for Japan according to surveys conducted by the Yokohama Specie Bank, leading Japanese foreign exchange bank, and the Ministry of Finance. Shipping and insurance were responsible for foreign bills due amounting to about Yen 120,000,000, while temporary foreign investments, especially in Manchukuo, and heavy borrowings abroad by power companies were responsible for a debit of about Yen 100,000,000.

Japanese trade with Africa, South America and the Near East increased 76 percent during 1933 over the 1932, total figures compiled by a Tokyo trade information agency reveal.

Japanese Foreign Office Prepares for the "Emergency Period"

Reorganization of several departments in the Japanese Foreign Office in order to prepare for the "national emergency period" in 1935 and 1936 have been planned in accordance with the wishes of Foreign Minister Hirota. The American and European Affairs Bureau will be divided into two independent bureaus, the European Affairs Bureau and the American Affairs Bureau. At the same time, the name of the Asiatic Bureau will be changed to the Oriental Affairs Bureau. The American Affairs Bureau, which will probably be headed by Kensuke Horiuchi, former Consul-General in New York, will be divided into three sections. The first will handle the affairs of North America, including Canada, and the Philippine Islands; the second will handle affairs of the Central and South American republics: and the third will deal with passports and immigration matters.

Prince Saionji, veteran advisor to the Emperor, called on Premier Saito at the letter's official residence May 12. Baron Tatsuo Yamameto, home minister, Korekiyo Takahyshi, minister of finance, and Baron Kumao Harada, private secretary to the Prince, were present at the interview. In a communique issued after the meeting, the Premier stated that no political questions were discussed.

Minister of Justice Speaks of Prevalence of Corruption

Dr. Koyama, Minister of Justice, in his speech at the Gubernatorial Conference, at the beginning the month called the serious attention of the Governors to the increased number of scandals in which local Government and public officials and school teachers are involved. It is a matter for deep regret, the Minister said, that there is a yearly increase in the number of scandals in which public officials are implicated. Particularly deplorable is it that such scandals have been numerous in connection with engineering works for the relief of the people in distress. Referring to the scandals in which primary school principals and teachers are involved, which have come to light in some prefectures since last year, the Minister of Justice said that examination of the accused has revealed the alarming extent to which corruption in educational circles and the degradation of teachers is carried. For instance, the Minister said, in some districts it was necessary for primary school teachers to bribe the prefectureal educational inspectors concerned, if they wanted to be made principals or transferred to posts in other districts.

The leaders of the Kokumin Domei met at the party's headquarters in Tokyo May 2. Mr. Fukuda insinuated at the meeting that corrupt practices were indulged in by the Government in connection with the plan to purchase the Formosa Camphor Refinery Company. He said that the company is capitalized at

Yen 10,000,000, of which Yen 6,000,000 is nominally paid up. However, this paid-up capital does not represent the cash paid by shareholders. It merely embodies the camphor refinery rights possessed by 13 people estimated in terms of money. Notwithstanding the fact that the company was established in this way, the Government proposes to purchase it for Yen 3,400,000. The valuation is obviously unwarrantably high. Besides, Mr. Fukuda said, he understands that there is a secret promise to contribute Yen 700,000 to a certain political party. He urged the necessity of a close inquiry into the matter.

Naval Officer Charged with Bribery

Alleged to have taken bribes from industrialists, a naval engineer of high rank and other persons stated to be involved in the affair have been placed under examination by the Court-Martial of the Sasebo Naval Station. It is alleged that in purchasing instruments and machinery for the navy and awarding contracts, the imprisoned engineer gave special facilities to the men who bribed him.

An attempt to set fire to the House of Peers was made on April 15, it was asserted in the *Maiyu Shimbun*, May 8. The flames were extinguished by attendants before more than minor damage had been done.

The Yokohama Police arrested Basil Aramis, 37 years old, and a woman said to be Mrs. B. Salieff, May 14, on charges of having swindled various sums from leading Tokyo and Yokohama department stores over the week-end. According to employes of victimized stores, the couple always offered a 100 yen note in payment for their purchases, however small these were.

More Communists Who Repented While in Prison

Five former leaders of the Japan Communist Party, who renounced their beliefs after they were arrested, where sentenced to terms of hard labor ranging from 8 to 15 years by the Tokyo Court of Appeals May 11. Included among them was Manabu Sano, who was arrested in Shanghai in June 1929 by Japanese and Chinese police as he was about to board a ship on his way to the sixth annual Conference of the Communist International in Moscow. Sano was sentenced to 15 years penal servitude, together with Sadachika Nabeyama and Shiro Mitamura. Sadaaki Takashi drew a term of nine years while Keiichi Sugiura will have to serve 8 years. All five men renounced their beliefs in a statement issued from prison while they were awaiting their second trial—on the ground that the Third International no longer was representative of the ideals "for a proletarian untopia."

Formosan Communist Speaks Out in Court

With the completion of the retrial of the "reformed Communists," the appeal of their confederates in the "unreformed group" proceeded at the Tokyo Appeal Court at the beginning of the month. Chin Rai-o, Formosan Communist, declared: "Since having been annexed by Japan, Formosa has benefitted economically and culturally, but at the same time her capitalist system has driven hundreds of thousand of peasants and workers into poverty. Why then should it he wrong for us to try to save them?" The procurator has asked for a sentence of six years' imprisonment against him.

Repentant Woman Communist Gets Suspended Sentence

Toyo Aoshima, a woman Communist aged 24, was sentenced to two years' penal servitude with stay of execution for three years in the Tokyo District Court May 11. Stay of execution was granted due to her reform. She had been charged with contributing to the Communist Party Yen 4,700 of her father's money. Mr. Aoshima is the proprietor of a Shidzuoka department store.

Seventy-seven Suicides at Oshima Volcano in Four Months

Seventy-seven persons committed suicide by leaping into the creater of Mihara volcano on Oshima in the first four months of this year, according to a report from the island published by the *Tokyo Asahi* May 4. The number is 15 under that of the corresponding period of last year. A total of 258 persons were prevented from committing suicide there in January, Febuary, March and April, a decrease of 78 from the corresponding four months of 1933. Ill health, domestic trouble and love disappointment were the causes. Twenty-two died in suicide pacts.

Anti-Japanese Feeling Grows in Brazil

Five Japanese settlers were killed and 16 wounded in a pitched battle between Japanese and Brazilians in the interior of Sao Paulo state May 11. The affair started when a Brazilian, alleged by Japanese to have kidnapped a Japanese girl, was found murdered. Brazilians armed with guns and machetes (large knives) attacked a Japanese settlement avenge the slaying. The Japanese, although poorly armed, put up a fierce resistance. *Rengo* mentions that this is the first time that such an incident has occurred since Japanese emigration to Brazil began 20 years ago. Bad feeling has been engendered by the fact that several delegates to the Constitutional Assembly in Brazil recently proposed a constitutional amendment which would virtually bar the further influx Japanese into the country.

Later Tokyo reports intimated that the incident had been greatly exaggesated—the facts being that a Japanese youth had been killed by another Japanese and that a Brazilian laborer had killed a Japanese woman.

Stanley Hornbeck Addresses New York Bankers on Perry Anniversary

The following are extracts from an address delivered by Stanley K. Hornbeck at a luncheon in commemoration of the eightieth anniversary of the negotiation by Commodore Perry of the first treaty between Japan and the United States—at the Bankers Club, New York City, April 11, 1934.

"We are gathered today to commemorate an event with which there is linked the name of one who really possessed in abundance the quality of common sense. The spectacular aspects of the memorable mission to Japan of Commodore Perry in 1854 have been featured in the popular accounts of the mission, but both writers and readers tend to lose sight of the painstaking effort with which Perry made it his business, during a long period of preparation, to ascertain so far as possible how he might best meet the minds of the people to whom he was being sent on a mission; of his desire and intention to respect the views, the customs and the habits of a people strange to him and to whom he was strange; and of his sympathetic understanding of the apprehension with which the Japanese viewed the invitation to them to come again, after centuries of seclusion, into relations with other nations.

"The Treaty of 1854 provided that there should be made available in Japan refuge for American whaling ships, which in those days frequented in large numbers the waters off the coast of Japan, and facilities for the refueling and reprovisioning of American steamers and sailing vessels engaged in the China trade. These practical and workaday objectives were, however, ancillary to the desire of the American people to find new markets in foreign countries for the products of their industry and ingenuity, and to benefit, in return, by receiving the produce of those countries.

"During the eighty years that have elapsed since the United States and Japan clasped hands in amity and friendship, each country has contributed in substantial measure to the material and intellectual advancement of the other and of the world. Improvements in means of transportation and communication have necessarily operated to reduce differences in modes of life and thought among the races and nations of the world; and it may confidently be expected that this process of sharing, as it affects the United States and Japan, will hasten progress toward the objective to which all who meet in such gatherings as ours of today are committed: that of reciprocal better understanding between and among nations.

"On this, the occasion of commemorating the signing of the first treaty—a Treaty of Peace and Amity—between Japan and the United States, it is pleasant to reflect that the peace between Japan and the United States has never been broken, and to be able to say that, desiring and intending to be good neighbors, the people and the Government of the United States hope that the record of amity thus established will never be impaired. We rejoice over the attainments of both countries in the fields of industry and commerce, of science and of art. We hope and we confidently expect that both countries will continue to contribute abundantly to the production and distribution by each and by both of goods and services of which the modern world is greatly in need—toward ever-increasing measures of national and international well-being, security and peace.

Over-Production of Silk Goods Causes Shutdowns in U. S. and Japan

Raw silk consumption in the United States during April sank from the previous month and year, the Ministry for Agriculture and Forestry reported recently. The volume shipped was only 37,392 bales, a decline of 6,688 bales from March and 4,518 bales from the corresponding period last year.

The U. S. silk code authority ordered a complete shutdown of all production in the United States during the week beginning May 14. The shut-down, it was announced, was due to serious over-production, reduced seasonal demand, low prices and increased stock. More than 130 raw silk reeling mills in Okaya and Minato-mura, where raw silk for the domestic consumption is produced, closed for 15 days, beginning May 6, in the face of the recent slump of the market quotations. Five hundred female operatives were temporarily thrown out of employment.

Japanese Admiral Draws a Parallel with Germany Before the War

Admiral Matsushita, commander of the Japanese training ship squadron, in the course of a speech in Berlin May 10, said:—"The Japanese fatherland finds itself in approximately the same position as Germany before the War. Germany and Japan are one in efficiency, valor and tenacity. It is no accident that at this moment both countries have to face a multitude of international difficulties, and must work for peace which, however, must be peace with equal rights.

68-503

U. S. and China and the Silver Pyramid

(By Ferdinand Lundberg in the Literary Digest for April 12, 1934)

THE Roosevelt Administration is faced with two alternatives in the case of silver: it must weaken the currency base of the nation by monetizing silver in response to the pressure of highly-organized lobbies, or it must find some innocuous way of liquidating the silver boom before it collapses of its own weight—of the weight of thousands of tons of silver.

The most recent flurry in silver prices was brought about when the Government decided to buy newly-mined domestic metal at sixty-four cents an ounce, or nearly twenty cents an ounce above the current market. That boom made necessary further steps on the part of the Government unless business sentiment was to be shocked severely by the sinking of the silver pyramid.

Speculators Hoard Silver

Various measures are pending in Congress to handle the silver situation. The Dies bill, already passed by the House, provides that the United States will accept silver in payment for agricultural goods bought abroad. Its greatest defect is that it makes necessary that silver to be acquired in this way be put to some use. The use planned for the metal by silver people is the issuance of silver certificates against it by the Treasury. The Senate agriculture committee has unanimously reported another bill which would permit the Government to accept silver in payment for agricultural products sold abroad and order the Treasury to buy silver abroad until either a price of $1.29 an ounce or the 1926 commodity price level was reached.

Such a development undoubtedly will produce higher prices and will enrich the silver interests. Such inflation as there has been to date will be as nothing compared with silver inflation of the character outlined.

The Government simply can not refuse to monetize silver and let matters take their own course, it is worth observing, because a real problem is presented by the accumulation of stores of silver in speculative accounts in this country.

The statistical position of silver tells the story. Stocks of silver in New York, held by multitudes of speculators who have been trading on the Commodities Exchange, are at staggering record levels. Silver is flowing here from all over the world, has been flowing for more than a year, augmenting stocks in anticipation of huge governmental bounties which silver propaganda has led many people to expect.

Abnormal Silver Situation

The abnormal silver situation is revealed in the following table:

(*Quantities shown in ounces*, 000 *omitted*)

	1927	1928	1932	1933
U. S. imports	—	49,092	34,876	141,078
U. S. exports	127,500	145,303	42,287	43,276
U. S. production	60,434	139,466	72,740	20,955
World production	253,121	269,582	169,232	161,360
Chinese imports	85,000	124,000	40,000	—
India imports	90,000	89,000	12,000	10,000
Shanghai stock (year end)	107,000	154,702	321,930	439,340
India stocks (year end)	373,072	346,203	398,166	376,544

	1927	1928	1932	1933	1934
Average N. Y. price	57c.	58c.	23.8 .	34.7c.	45.3c.

A great deal of credit has been propped under silver prices. The New York silver market now is in a position somewhat analogous to the stock market in 1929, with world speculation centering here on the basis of expected government buying of the metal. The piling up of stocks, which has gone on fastest in New York, as will be shown in a subsequent table, reveals that holders of silver all over the world are giving it up, literally throwing it in the face of Uncle Sam for good prices.

The sharp rise in American imports and the abrupt fall in exports is self-explanatory. The decline in United States and world production explains the activity of the silver interests in pressing for favorable legislation. As the North American continent produces approximately 75% of the world's silver, Mexico producing more than half and the United States nearly 13%, it is clear why the silver agitation centers in the United States. New York silver stocks, until last year, never were a large statistical item, but, soon after the World Monetary and Economic Conference closed at London with an agreement promised for world silver action (the United States underwriting the expense) New York stocks began to climb.

New York Stocks Rise

The phenomenal rise of New York stocks is shown in the following table:

	Fourth week ounces
October (1933)	56,075,000
November	60,469,000
December	83,102,000
January (1934)	106,418,000
February	109,916,000
March	112,596,000

The silver boom has proved a bonanza for brokers on the Commodities Exchange in New York, where trading has taken place since the merger with the Metal Exchange. In January, 1932, only 113 contracts were sold on this market. In May, 1932, 5,046 contracts were sold, this being the monthly peak for the year. This top was not passed until September, 1933, just after the London conference ended. In that month 12,069 contracts changed hands, but that was a mere bagatelle. In December, 20,024 contracts were sold, just before agitation for monetization was renewed and the Government ordered the purchase of newly-mined metal, even tho the world needed no more silver. In all of 1932, only 12,600 silver contracts changed hands on the Commodities Exchange, but, in March, of this year, 17,230 contracts were sold. In all of 1933, a total of 58,690 contracts were sold, and in the first three months of this year, 37,129 contracts were sold.

No Longer "Forgotten Metal"

If the Government adopts the Dies Bill—or other legislation favorable to silver owners—activity will reach new peaks on the Commodities Exchange. If the Government refuses to do anything more for silver, the activity will be even greater, as the speculators rush to unload. It all depends on the Government and the United States Treasury.

Nobody wants silver except the United States, which can do nothing with the huge surplus except monetize it, or sink it at sea. There really is more silver in the world than anyone can compute accurately. Since Columbus discovered America the world has produced approximately 15,644,700,000 ounces of silver, but nearly half of all the silver in the world has been produced since 1889 through improved production methods.

While production methods have operated to create more refined silver than seen ever before in the history of the world, nations gradually have been reducing its monetary use. Many countries have reduced the silver content of coinage because other metals are cheaper. There also has been a decreased use of coins in favor of checks and bank-notes. Silver, once a precious metal, is a drug on the market. Silver mine shares, once valued, have become as cheap as wagon-factory stock in a gasoline era.

Silver interests, and public officials in regions where silver mining used to be the backbone of the community's economic life, have refused to accept the verdict of historical evolution. They insist that silver still is valuable, is worth at least $1 an ounce, and insist that it be used for coinage and even as a base for the currency. They want bi-metalism, with silver awarded a fixed ratio to gold that is different from the price ratio between the metals in the open markets of the world.

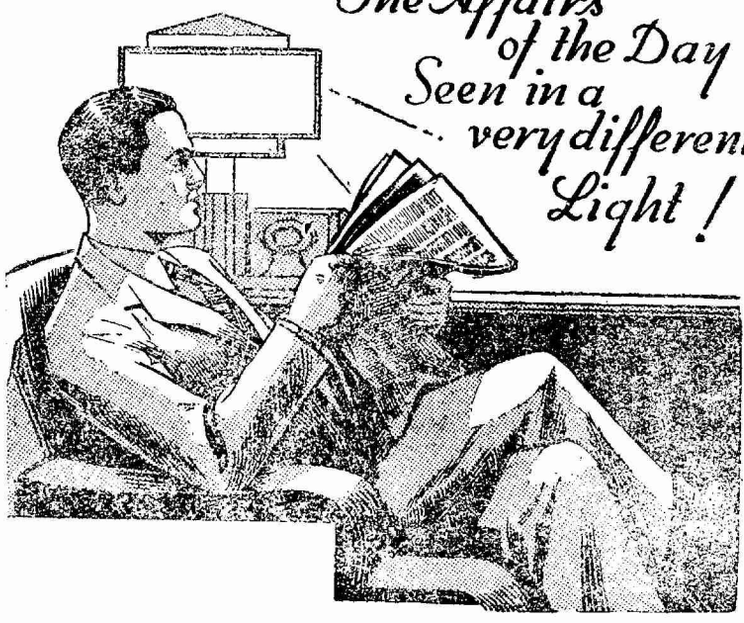
The refusal to accept the verdict of evolution is what has created the current silver situation. Whatever happens, silver is no longer "the forgotten metal." It may long be remembered—but for reasons other than its friends suppose.

And there is a great deal more of the metal where the present world surplus came from.

Hard Times and Low Silver Play Havoc with Local Financial Concerns

The gradually increasing impact of the world-wide business depression is becoming daily more felt here in Shanghai and this, together with the recent slump in the price of silver, has played havoc with a considerable number of local institutions that have been eking out an existence by selling gold bars, and generally engaging in speculative ventures. The Central Exchange Co., with offices in the Exchange Arcade in Szechuen road, which has had the assistance of the brokerage firm of S. E. Levy & Co., recently gave notice that it would discontinue its operations both here and in Hongkong. It was announced that this decision had been reached as the result of a mutual arrangement arrived at between the China Gold Exchange of Shanghai and Hongkong, and the Central Exchange Co., owners of the South China Gold Bar Co., Hongkong. The China Exchange Co., which has offices also in the Central Arcade, with which Mr. Encarnacao, a well-known local jockey, and several members of the Shanghai Stock Exchange, are connected, is also contemplating discontinuing operations, according to the opinion generally expressed in local speculative circles. These two institutions were mostly run for the benefit of foreign clients. The Chinese institutions have been equally badly hit, or possibly more so. The Tung Fan Hsin Tao Kung Shih (the translation of which is the Oriental Trust Co.) with offices in Fokien road, has been compelled to close its doors mostly because two of its directors had been privately running

BETTER LIGHT
BETTER SIGHT



Shanghai Power Company

Head Office: 95 NANKING ROAD :: TELEPHONE 11010

gold bar exchanges of their own, and having been badly caught, brought down their house with them. The Chinese Chamber of Commerce has petitioned Nanking for the apprehension of these men. This concern had a capital of a quarter million dollars. Monday's Chinese newspapers also reported the failure of two smaller institutions of a similar character, one, the Tse Foong Yung in Tientsin Road, and the other, the Nee Tah Yung in Ningpo road.

Roosevelt Controls Silver Situation

It is admitted in Washington that President Roosevelt controls the silver situation. Any legislation which may be adopted, it is believed, will not force the Treasury to purchase any specified amount of silver monthly, but will be solely permissive.

Sentar Thomas from Oklahama on March 20 introduced a bill to authorize a board composed of the President, the Secretary of the Treasury, the Secretary of Commerce, and the Secretary of Agriculture to negotiate with foreign buyers with the view of selling American agricultural surplus products at the world market price and to accept in payment therefor silver coin or bullion at such value as may be agreed upon, which shall not exceed 25 per centum above the world market price of silver, and to authorize the Secretary of the Treasury to issue silver certificates based upon the agreed value of such silver bullion or coin in payment for the products sold, and for other purposes.

Bureau of Social Affairs Issues Report on Strikes in Shanghai

Official statistics on strikes and lockouts is Shanghai since 1918, released by the Bureau of Social Affairs, show that the greatest number of 399 cases—which form over 35 percent of the total number of disputes in the fifteen years—occurred in the textile industries. It has been figured out that approximately ten million man-days. were lost in the 188 cases of textile workers strikes that broke out during the last six years from 1927 to 1932, and the loss in wages amounted to slightly less than four million and a half. Among the textile industries, according to the analysis, cotton spinning and silk reeling sustained the heaviest losses. Transport and communication being next in importance, the greatest number of cases broke out in tramway services. Tobacco factories claimed the largest number of disputes among industries of food and drink, and drug stores, the major portion among general traders. Some establishments which formed the haunts of labor disputes and were continuously confronted with cases of unrest were, in order of the number of disputes that occurred in each, the following:—Naigai-Wata Kaisha (Japanese), British-American Tobacco Company (British), Japan-China Spinning and Weaving Company (Japanese), Toa Seima Kaisha (Japanese), Ewo Mills (British), Compagnie Francaise de Tramways et d'Eclairage, the Shanghai Dock and Engineering Company, (British), and others less will known.

Japan to Concentrate on Driving Out British Goods from World Markets

Japan's official answer to the recent measures invoked by the British Government to keep Japanese goods out of British colonial markets, particularly rayon and cotton goods, was given in a Foreign Office statement issued at Tokyo May 11, to the effect that aspects of the matter, together with any necessary counter-action, are being carefully studied, and that Japan intends to safeguard her full rights and interests which she possesses under the various treaties involved. The Japanese policy, as made evident in various semi-official utterances and editorials in influential newspaperps, will be to, more or less, leave Britain's colonial markets alone, but concentrate on driving out British goods from every other country in the world.

Japan Will Press for Abolition of Netherlands Indies Embargo

Foreign Officials in Tokyo May 14 stated that Japan will seek the abolition of import embargoes imposed on various Japanese articles by order of the Governor-General of the Netherlands East-Indies early this year, at the forthcoming Netherlands-Japanese trade conference at Batavia next month. In exchange, Japan is willing to set a minimum guarantee for imports from the Netherlands possessions. Mr. Hirota has indicated that he would seek the abolition of import embargoes imposed by the Governor-General of the Netherlands as a preliminary step to a definite agreement to increase East Indian imports to Japan.

Dr. Harukazu Nagaoka, chief delegate to the Netherlands Japanese trade talks, which will open at Batavia on June 4, was received in audience by the Emperor May 15.

The Motive Behind Canton's Friendly Gesture Toward Nanking

BY PAUL K. WHANG (汪 仲 芳)

A *Central News Agency* despatch from Hongkong dated May 2 has it that military leaders in Kwangtung and Kwangsi, in order to present a united front in facing the present national crisis, have decided to issue a circular telegram under their joint signature, reaffirming their allegiance and whole-hearted support to the National Government at Nanking. This move on the part of the Southwest military leaders, according to the report, is prompted by rumors of lack of sufficient cooperation between Nanking and the Southwest which they want to set at rest.

This belated move on the part of the Southwest military leaders to profess their allegiance and support to the Nanking Government, although welcomed, furnishes us with some food for thought. China has been faced with a serious national crisis for more than two and-a-half years, but during that long interval, the military and political leaders of South China have persistently maintained an attitude of indifference and aloofness, and have always scorned the idea of presenting a united front against foreign invasion. Then why should they at this eleventh hour approach the Nanking Government with this friendly gesture?

It is rather a fact than a rumor that Nanking and the Southwest have been strange bed-fellows. Right after the Japanese invasion of Manchuria, the Nanking Government, it must be said, did everything possible to compromise its differences with the Southwest regime, but its efforts were of no avail. Being far removed from the scenes of tempest, the leaders in South China have looked upon the Japanese aggressions with no concern, and, on the contrary, have taken advantage of the situation to discredit the Nanking Government for its inability to resist the Japanese invasion.

As careless people will not bother themselves when their houses are not in immediate danger from fire, so the leaders in South China would not bestir themselves so long as the Japanese aggressions were concentrated in North China. The old adage that, with the lips gone, the teeth will be exposed to cold, will not impress those who do not look beyond their eyes. Thus, while watching with interest the big conflagration across the river, the leaders in South China have suddenly found that their own houses are also in danger,—when the fire assisted by a gust of strong wind has rapidly spread to their direction.

South Fears Invasion by Japanese

This fire has now actually made steady headway into South China, for news from Fukien and Kwangtung has indicated that an apprehension of Japanese invasion has been prevailing among the people. A Hongkong despatch which appeared in the vernacular press on May 3 stated that the Japanese have been contemplating military action in South China within a month or two; that Mamoi and Amoy, both in Fukien, will be used as naval bases; that Japanese military officers have been frequently seen in the interior of Fukien photographing places of strategy, such as Yenping, Kienou, Yungan and Shahsien; that a number of Japanese spies secretly visiting interior parts of Fukien since the conclusion of the National Government's campaign against the Fukien rebels has totalled more than 50; that a number of warships of the Third Japanese Fleet has also loitered off the Fukien coast; and that the Japanese have been charged with having supplied arms and ammunition to bandits in Fukien.

Admiral Li Shih-chia, Vice-Minister of Navy and concurrently Commander of the Makiang Forts in Fukien, who has just returned from Fukien, has confirmed this alarming news by stating, "People are so much concerned about North China that they have neglected the intrigues of the Japanese in the South. The Japanese are directing their steps towards a secret invasion of South China to such an extent that the people of the whole country can no longer neglect the dormant dangers in the South."

Of special significance is the forthcoming meeting of Japanese Consuls-General in Swatow, Hongkong, Amoy and Foochow called by the governor of Formosa to be held on June 21 at Formosa. Although the agenda of the meeting has been kept secret, it has been reported that plans for the economic aggression in South China will be mapped out. It is further stated that "with Formosa as a nearby base Japan wants to increase her trade in Kwangtung and Kwangsi and at the same time to suppress the boycott movement there which has been going on steadily but without the blaring of trumpets." In regard to the boycott movement, the Canton authorities have already advised the National Salvation Association to "pipe down" the agitators against the Japanese goods as a result of Consul General Kawagoye's threat to call into the play the "Black Dragon" diplomacy of Foreign Minister Koki Hirota.

In face of the realities of the situation, the Southwestern Political Affairs Committee, as reported, held an important session on May 1 for the discussion of measures to strengthen the national defense of South China, especially the naval and air defence of the cities along the coast. The session was said to be attended by many important political and military leaders in the Southwest, including Generals Chen Chi-tang, Li Tsung-jen, etc. It is also reported that the Committee has decided to communicate with Gen. Chiang Ting-wen, Commander-in-chief of the Eastern Route Bandit Suppression Forces, for an exchange of views regarding this matter.

The Kwangtung military authorities have been fully aware of their insecure position in face of Japanese invasion, although they have possessed a military strength consisting of 120,000 soldiers and 80 fighting air-planes and bombers. The realization of their weakness has accounted for the reason why they are now eagerly seeking cooperation with the Nanking Government. The sense of insecurity of their position has been responsible for changing their attitude of aloofness to that of conciliation.

While we applaud this move on the part of the Southwest military authorities, we, however, can not help lamenting why this realization should come so late. For more than two and-a-half years, the Japanese militarists have wielded a big sword over the Chinese. They forcibly seized Manchuria and Jehol; they invaded Shanghai; and they have been menacing North China. It is true that they have so far confined their aggressions north of the Yangtsze River, but this does not mean that South China can be forever saved from the tentacles of their aggression. The acute observers of the Far Eastern situation have long predicted that as soon as the Japanese have sufficiently consolidated their new gains, they would seek new fields for their exploitation.

In South China, Fukien has long been looked upon by the Japanese with covetous eyes. They have claimed that they have had "special interests" in Fukien because of its proximity to Formosa. It must be remembered that it was because of the protection of their "special interests" in Manchuria that the Japanese forcibly seized that vast territory, and therefore they will likely use this pretext to invade Fukien and other southern provinces. During the Fukien Rebellion last year, it was generally feared that the Japanese would have fished in troubled waters but for the speedy collapse of the so-called People's Government and the strained diplomatic relations between Soviet Russia and Japan.

Fate of South China Hangs in Balance

That the Japanese militarists have long threatened to give a lesson to the people in South China so as to break down their boycott movement has been a long known fact. It is their contention that they succeeded in breaking down the boycott movement in Central China through their invasion of Shanghai, and that they therefore should do likewise toward the southern people. Thus the Japanese have many reasons to take direct action in South China, but the Southwest military leaders have not been awakened to these facts until now.

In taking advantage of our divided position, the Japanese militarists are now bringing pressure on both North China and South China. They fully realize that with Nanking and the Southwest remaining at odds we are not in a position to offer any resistance, and as a result, they can gradually and steadily swallow up our vast territory in order to consummate their Continental Policy. North China is now already under the iron heels of Japanese militarists, and the fate of South China also hangs in the balance.

It will prove a blessing in disguise, if out of the present alarming situation in South China, a real unification of the country can be achieved. We hope that the Southwest military authorities are sincere in thier profession of allegiance and support to the Nanking Government. But deeds speak louder than words, and it will serve no purpose to confine their action to words only. The Southwest political and military leaders should instantly give up their semi-independent attitude, and cooperate fully with the Nanking officials in formulating effective defensive measures against further Japanese aggressions. If we pool our military strength together and present a united front, we can still have a chance to fight for our existence, in spite of the fact that our united military strength is far from being equal to that of our enemy.

Shanghai, May 14, 1934.

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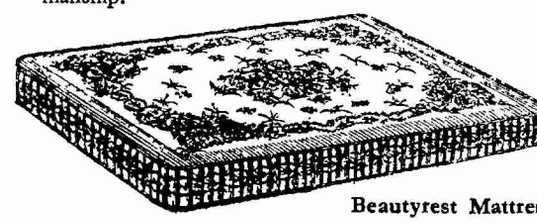

Beautyrest Mattress

SIMMONS

BEDS - SPRINGS - MATTRESSES

T. V. Soong Returns from Northwest

T. V. Soong, in the course of his tour of the North-west arrived in Sining from Lanchow, May 9, where he paid a visit to the Chingchen Shih (monastery). Later, he laid a wreath on the tomb of the late General Ma Chi, former Chairman of the Chinghai (Kokonor) Provincial Government.

Mr. Soong arrived back in Lanchow from Sining May 13. He flew to Ninghsia May 15 and after a two days stay there was due to return to the South by air. He has expressed himself as highly satisfied with his inspection tour of the Northwest.

Mr. Soong declared in an address at a mass meeting held at Lanchow that the North-west is China's Life-line. He added that some people upon visiting the North-west are inclined either to over-emphasize the cultural progress or the economic backwardness in this part of the country; both stand-points are too partial and therefore erroneous, he said.

In a telegram to Wang Ching-wei, Mr. Soong reported that he and General Chu Shao-liang at Lanchow had agreed on the building of a motor road from Sianto to Lanchow, the improvement of the irrigation system in Kansu, the establishment of veterinary centers and stud farms, and a scheme for reclamation of waste lands.

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Dr. H. H. Kung Returns to Nanking With Prof. J. H. Rogers

Dr. H. H. Kung, the Finance Minister, in the course of an inspection tour of the Yangtsze district, arrived in Changsha from Hankow by air May 10 and returned to Hankow the following day. General Ho Chien, Chairman of the Provincial Government and high provincial and local officials were all present to welcome Minister Kung and party, in whose honor General Ho Chien gave a luncheon. Minister H. H. Kung received all provincial officials in the afternoon at the Salt Gabelle Office and exchanged views on the economic, financial, and rural conditions of the province. At a dinner party given in his honor by Chinese bankers the Finance Minister discussed the silver question, monetary reforms, measures to carry out the rural rehabilitation problem, financial assistance to business and industry and the advantages of reducing the interest rates. Dr. Kung also conferred with General Chang Hsueh-liang, Deputy Commander-in-Chief of the Government Bandit-Suppression Forces in Honan, Hupeh and Anhwei.

Accompanied by Professor J, H. Rogers, the U.S. silver expert, Dr. H. H. Kung arrived at Nanking from Hankow on board the *Hai Sing* May 13. Minister Kung in an interview said that during his recent trip to Kiangsi he conferred with General Chiang Kai-shek, on the financial problems of the country. Besides inspecting the Customs, Salt and Consolidated Tax organs in the provinces of Hunan, Hupeh, Kiangsi and Anhwei, he also paid some attention to the civil administration and reconstruction work of those provinces. Rapid progress was evident in the four provinces. With regard to the bandit-suppression campaign, Dr. Kung expressed the conviction that it will be concluded after the autumn harvest. Rehabilitation measures should be instituted immediately after the recovery of the bandit areas, he said. Professor Rogers continued his voyage to Shanghai on the same cruiser. The American silver expert stated that he exchanged views with the local authorities and banking leaders of Canton, Hongkong and Chungking on the silver problem. Owing to the complexity of the silver issue in this country, he declined to make any comment. He is drafting a report to be submitted to the American Government and will leave China in about a fortnight.

Famine Relief Committee Assists in Farm Rehabilitation Work in Ningshu

The Ningshu Agricultural Relief Association, a philanthropic organization that has been doing farm rehabilitation work within the six hsien around Nanking, has just been granted a loan-fund of $34,000 by the Shanghai Chinese-Foreign Famine Relief Committee.

At the directors' meeting of the Ningshu Association held recently at their Nanking headquarters, it was decided that the territory for the application of this loan-fund be the Fang Shan (Table Mountain) area, a section of Ching Hwai river region about 25 li south of Nanking, and that this sum of $34,000 be distributed as follows: $11,000 for crop improvement loans, $15,000 for animal improvement loans which include also those for fish and duck raising, and $8,000 for agricultural management loans, consisting principally of those used for the purchase of implements and fertilizers.

According to D. Y. Lin, chairman of the Ningshu Association, the Association last year organized 8,021 rural families into co-operative or selp-help societies for wheat and rice crop improvement projects, for hog raising and fish industry, and for general granary work, involving altogether $164,861. This year with the help of Shanghai Chinese-Foreign Famine Relief Committee, the Association expects to carry out a much larger program, and preparations are being made for organizing at least 13,000 Ningshu farmers into co-operative societies for the various agricultural projects mentioned above.

Central China Problems Discussed by Nation's Leaders

(By the Review's Correspondent at Hankow)

With the advent of Dr. H. H. Kung, Vice-President of the Executive Yuan and concurrently Minister of Finance, Hankow began to indulge in an orgy of conferences and dinners and receptions. Arriving on May 9, accompanied by the Mesdames Chiang Kai-shek and H. H. Kung, the Minister of Finance made excellent use of his time, conferring with the economic and financial wizards of the Wuhan area and acquainting himself with the rehabilitation measures being undertaken in Central China. One day was spent in Changsha in conference with General Ho Chien, Dr. Kung flying down in the morning and returning at dusk.

General Liu Shih, Governor of Honan, Arrives

Before the end of the week General Liu Shih, chairman of the Honan provincial government, arrived and went into conference with Marshal Chang Hsueh-liang, Hupeh Chairman Chang Chun, Pacification Commissioner Ho Chen-chun, and Dr. H. H. Kung. No doubt many of the outstanding problems regarding the economic and political reorganization of the Central China area were thoroughly discussed. It is probable that the impending visit of General Ho, Hupeh Pacification Commissioner to Hunan, will also bear on this recent question of political reshuffiing. Meanwhile Generalissimo Chiang Kai-shek's right-hand man, General Ying Yung-tai, Chief Secretary of the Military Commission, is in Hunan for the purpose of conferring with Hunan Chairman Ho Chien about the military situation on the Kiangsi-Hunan border. Dr. H. H. Kung left for Nanking with his party May 12, after a flying trip over the southeastern terrain of Hupeh.

Ho Chien to Become Commissioner of Honan-Hupeh?

It seems impossible to confirm the rumor that General Ho Chien, who for several years has successfully governed Hunan province and introduced a multitude of modernizing reforms and substantial improvements, is to become the Commissioner of the two Hu provinces. This would be a new office and possibly General Ho Chien prefers one bird in the hand to two in the bush.

Nonni Bridge Hero Meets the Young Marshal

General Ma Chan-shan, the famous hero of Nonni Bridge in the 1932 Manchurian campaign against Japan, arrived in Hankow on May 10 which his large entourage, en route to confer with the Generalissimo at Nanchang. While in port he had conversations with his former chief, Marshal Chang Hsueh-liang, whom he had not seen since the Manchurian trouble. With him on the same train were eighteen other military leaders from North China, including General Wang Chu-han, Member of the Peiping Branch Military Affairs Commission, General Mei Tsung-yun, former Chief of Staff to Marshal Chang Tso-lin, former Minister of the Interior Liu Shan-chin, and General Ho Feng-lin. General Ma left for Nanchang after two days' stay in Hankow.

Why the Growing Stream of Troops into Kiangsi?

With the steady increase of troop movements Kiangsi-ward, with the Generals from North China seeking adventure in southern areas, one wonders when the fire-works will begin. Even though there does seem to be a patched-up peace with the two Kwang provinces in the south, yet Nanking still believes in preparedness. With the possibility of an outbreak along the Fukien-Kwangtung border, it is easily surmisable that the front might be extended farther west. That is probably one of the main reasons why the Generalissimo is trying his level best to consolidate his position in Hunan.

Ho Lung Kidnaps American Missionary in Szechuan

Red Commander Ho Lung has found life too dull in his native province of Hunan. Marching in rapid succession from Hunan north into Hupeh, he threatened several of the cities in southwestern Hupeh province. Then he suddenly got an inspiration to move over into Szechuan, where on May 8 his gang descended with lightening speed on Pengshui, capturing Howard Smith, together with his wife and infant. The wife was released and together with infant, sent forth to Fuchow on the Yangtze River, northwest of Pengshui several hundred li, with the instructions to raise an enormous ransom. The missionary is a member of the Christian and Missionary Alliance, a missionary organization with headquarters in New York. Mr. Smith is a brother-in law of Henry Ekvall, the young Ford salesman who was murdered near Sianfu, Shensi province, a little over a year ago. Concern is felt for the safety of Miss Helen Clark of the same mission, who was out itinerating in her district when Mr. Smith was caught. Fairly reliable reports state that Red Commander Ho Lung has had to withdraw from Pengshui, the government troops having regained the city. Some of Ho Lung's soldiers are near Lungtan.

Ho Chien Threatened by Reds

The Reds are evidently out to make mischief again this spring. Not only in Szechuan, but also along the western Kiangsi border are they threatening the defense lines of General Ho Chien. His troops have had to retire from Yungshin as they were opposed by a Red Army of ten thousand men, far outnumbering the provincial forces. General Ho has telgeraphed to the Generalissimo Chiang Kai-shek asking for reinforcements.

Communists Loot Lotien, Threaten Chishui

While the government troops in the east Hupeh area, north of the Yangtsze River were being transferred, Communists captured and thoroughly looted the city of Lotien, located sixty miles northeast of Hankow. After looting this place they headed south toward Chishui, which was reported to have been evacuated by the foreign missionaries. Although not a few of the wealthier Chinese merchants teachers and other of the gentry left the city quite unceremoniously the foreigners did not leave although the Reds at one time were not far from the city walls of Chishui. Reinforcements came in time and aided the local troops in the defense of the city.

Flood Precautions Taken by Hupeh

With the continuous rise of the Yangtsze River, the Hupeh provincial authorities are taking active steps toward the prevention of any flood like the great one in 1931. Trlegraphic instructions were sent out to all districts in the areas affected to report on the condition of dikes in their respective areas. Several dikes near Tungcheng in southern Hupeh, have been damaged and as a consequence the northwestern part of the suburb has been inundated.

Tea Trade on Upward Grade

Although 900 shops out of a total of 8000 were forced to the wall in the year 1933, there still are a few signs of trade revival. The Municipal government is discussing ways and means of making easy terms of credit available for the shop-keepers who wish to start up in business again.

Brick tea to the tune of 100,000 cases and valued at $5,000,000 is being transported to Soviet Russia via Shanghai from Hankow. China Merchants, Jardine, Matheson and Co., and Butterfield and Swire steamers are hauling the goods to Shanghai, where it will be transshipped to Vladivostok, and carried to its destination on the Trans-Siberian Railway. This is the first batch of fresh tea leaves put on the market this year. Each of the cases contains 130 catties.

During March and April about 7000 tons of old leaves were put on the market and sold to Russia for the sum of $2,000,000.

Hankow, May 14, 1934.

Bank of Communications Shows Profit of $900,389; Pays Six Percent

A dividend of 6 per cent was declared May 12 at the annual meeting of shareholders of the Bank of Communications. Y. Hu, chairman of the board of directors, presided. S. M. Tong, the general manager, read a report on the bank's operations in 1933. The bank's deposits reached $212,992,000 during the year being composed of the following items:—current deposits, 74.46 per cent ($154,604,000): fixed deposits, 24.95 per cent ($53,134,000); cash orders, 0.59 per cent $1,253,-000). Business firms and individuals formed 94 per cent of the depositors. The total deposits showed an increase of $29,143,000 over the previous year. There was a noticeable tendency on the part of the public to turn their hoardings into the banks to be made use of. The total of remittances amounted to $210,624,000, which was $18,650,000 over the previous year. The drafts purchased amounted to $106,220,000 which was $21,934,000 over the previous year. Taking into consideration the trade slump and the political unrest in many parts of the country, it is some satisfaction, said Mr. Tong, to note the fine record set up by the various branches in this regard. Routine procedures were simplified and efforts were made to attract and retain business connections. The net profits totailed $900,300, representing an increase of $499,000 over the previous year. Interest, remittance fee and commission formed the major portion of the profits. The gross receipts amounted to $5,042,000, out of which the following items were defrayed:—overhead expenses, $2,925,000; depreciation, $684,000; note issue tax, $488,000; bad debts, $43,000. A dividend of six percent was declared.

Japanese Cotton Mills to Increase Capacity by 660,000 Spindles

Iufluential cotton spinning mills Japan are proceeding with their program of increasing their number of spindles, taking advantage of the enormous reserves they have accumulated. They hope to increase their equipment by 660,000 ring spindles before the end of 1934. As a result, the aggregate total of ring spindles owned by 60 members of the Japan Cotton Spinners' Association and eight outsiders will reach well over 9,200,000, Their monthly yarn production is estimated to exceed 3,000,000 bales. Meanwhile, both the yarn production in Japan and the textile-export are maintaining a remarkably high level since the beginning of this year, irrespective of various restrictive measures already taken abroad. The export of textiles advanced from 155,000,000 yards in January, 1934 to 204,000,000 yards in February, further advancing to the unprecedently heavy total of 223,000,000 yards in March. This is a record in the history of Japan's cotton industry.

Japanese Colonel Admits Bandits Are Still Active in Manchuria

The troops of the Himeji Division, returning from Manchuria, were landed at Kobe from army transports May 4. Colonel Watanabe, chief of the Special Corps, declared that while Manchuria is reported to be tranquil, in fact it not so. Except for the railway zone and principal towns, all districts are still infested with bandits, he said; the division lost 28 dead and 63 injured.

The ashes of twenty-seven soldiers killed in Manchurian expeditions arrived at Kobe May 1 by the s.s. *Baikal-maru*. In an engagement against a force of 1,500 bandits, the Tamura contingent had seven killed May 1. The ashes of 32 officers and soldiers killed in an engagement on March 11 arrived at Moji on the same date.

A group of 100 bandits armed with rifles, light automatic guns and hand-grenades carried out a night attack on the railway settlement at Wukimi, 56 miles east of Ashiho April 20. After a brisk engagement during which three Chinese Eastern Railway employees were killed, the small garrison was forced to retreat. The bandits pillaged the settlement and then retired, taking with them several rich merchants as hostages.

Five armed bandits recently broke into the private house of a Japanese army captain named Tominaga, aged 63, who resided in one of the main streets of New Town, in Harbin. The bandits had evidently been informed that the captain had a considerable sum of money in the house and from the moment that they crossed the threshold they commenced firing, with the result that Captain Tominaga was shot dead almost immediately. The bandits carried off Yen 400 in cash and valuables estimated at Yen 900.

A lieutenant and a private of the Tamura detachment of the Wakayama main contingent were killed in an encounter with a body of bandits April 29.

Manchu Police Claim Capture of Bandit Chieftain

Kou Ying-tzu, said by police to be the leader of a band of 400 bandits, was captured while hiding in a junk at Newchwang May 10, the police authorities of said city claim. Kou sought refuge in the vessel, police said, when three river gunboats appeared in the harbor.

"Little Monkey" Bandits May Join Manchukuo

The bandits of Yang Hou-hsiao, or Yang the "Little Monkey," have penetrated into the southwest of Paochang and Kangpao and are only a few miles from Dolonor, according to General Chin Teh-chun, commissioner of civil affairs for Chahar, who recently returned from Tientsin. General Chin went to Tientsin to see General Sung Cheh yuan, chairman of Chahar, and discussed with him measures to be taken against these bandits.

Russian Cracksmen Fail to Break Bank Safe at Harbin

A band of eight masked Russian bandits raided the Bank of Communications in Harbin, early in the morning of May 8, but their attempt to break into the vault, containing $500,000, was a failure. The Russians arrived in front of the Bank in a motorcar, with its license plate removed. After binding a policeman on the patrol duty there, they entered the basement of the Bank and started to burn open the safe with an acetylene torch. They worked for several hours in vain, leaving the premises at 5 a.m.

Manchukuo Holds Military Review at Changchun Airdrome

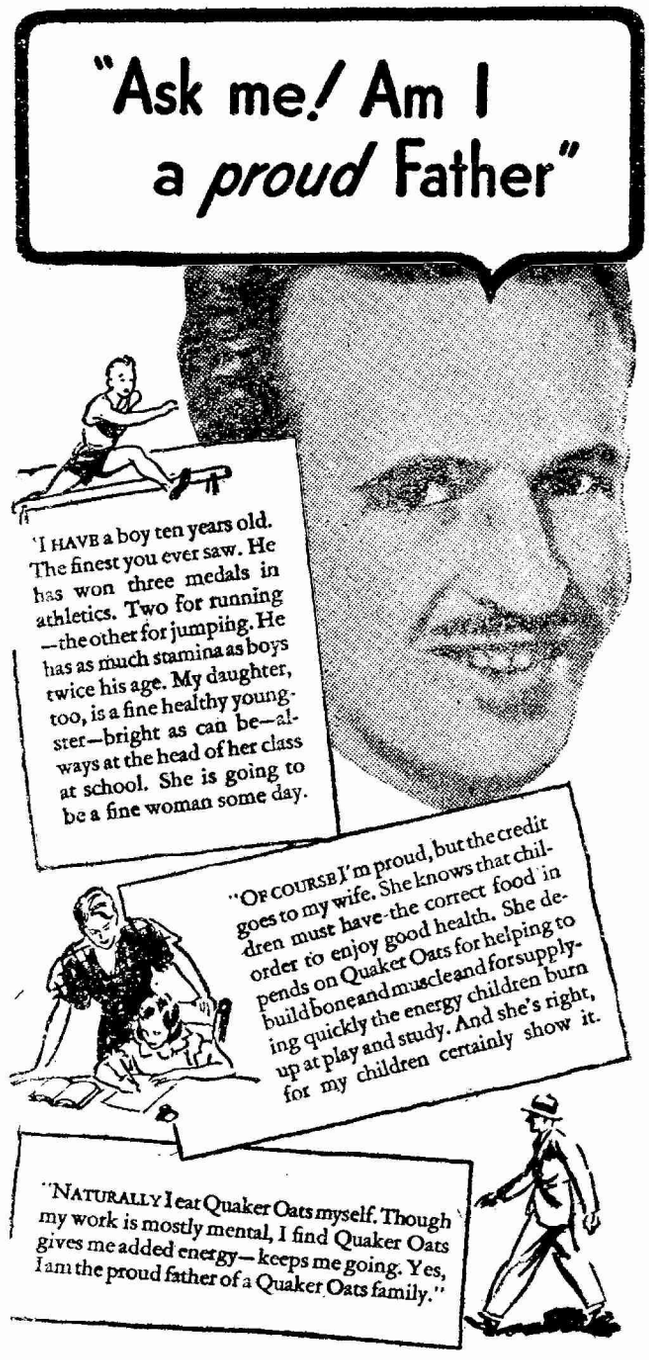
Manchukuo held its first military review at the Changchun Airdrome May 10 in the presence of Emperor Kangteh (Pu Yi), with 2,300 picked troops, representative of every province. A crowd estimated at 30,000 spectators and 500 bodyguards was present. Premier Cheng Hsiao-hsu, Ambassador General Hishikari, Minister Chen Jui-ling, Gen. Chang Ching-hui and other members of the Manchukuo State Council, and scores of high Manchu and Japanese officials, were in attendance.

Civilian to Hold Post Once Held by Major-General Doihara

The Tokyo Army authorities May 8 sought the consent of Giichi Ono, former vice-minister of Finance, to become the first civilian chief of the special affairs section of the Kwantung (Japanese) Army in Manchuria. While Mr. Ono indicated that he would decline the proferred post, because of "personal reasons," army men were quoted as stating that Mr. Ono would eventually accept. This section's activities range from the collection of military and political intelligence to economic planning. An officer, heretofore, directed its activities. With the reorganization of the section, scheduled to take place in August, a civilian will take charge, and many of the strictly military activities of the unit abandoned. Later messages from Tokyo said Mr. Ono had accepted the post. He will be the first civilian to occupy the post, which was once held by Major-General Kenji Doihara, one of the most important figures in the initial stages of the Manchurian Incident.

Japan Increases Investments in Manchuria

A recent message from Changchun stated that Japan's investments in Manchukuo are rapidly increasing, particularly since last autumn, with those of the South Manchuria Railway Co. leading.


"Ask me/ Am I a proud Father"
'I HAVE a boy ten years old. The finest you ever saw. He has won three medals in athletics. Two for running —the other for jumping. He has as much stamina as boys twice his age. My daughter, too, is a fine healthy youngster—bright as can be—always at the head of her class at school. She is going to be a fine woman some day.
"OF COURSE I'm proud, but the credit goes to my wife. She knows that children must have the correct food in order to enjoy good health. She depends on Quaker Oats for helping to build bone and muscle and for supplying quickly the energy children burn up at play and study. And she's right, for my children certainly show it.
"NATURALLY I eat Quaker Oats myself. Though my work is mostly mental, I find Quaker Oats gives me added energy—keeps me going. Yes, I am the proud father of a Quaker Oats family."

Every member of the family needs Quaker Oats! It creates sound bodies, benefits blood and nerves, helps form sound teeth. Try Quaker Oats. See how this delicious food helps create perfect health! Economical, easy to prepare—cooks in 2½ minutes.

LOOK FOR THE QUAKER FIGURE FOR GENUINE

Quaker Oats

D-6

The Bank of Chosen reports that Japanese investments in Manchuria during 1933 reached Yen 440,000,000, in the subscribed capital of which Yen 182,000.000 is paid up. The figure is 40 times larger than that in 1932.

Manchukuo to Establish 170 Public Hygienic Stations

A Changchun message May 14 said the Hygienic Section of the Civil Administration Bureau of the Manchukuo Government has drawn up plans to establish about 170 public hygienic stations in the next five years.

Fourteen Miners Killed in Fushun Coal Mines

A gas explosion, the origin of which has not been ascertained, killed 14 miners and gravely injured eleven others at the Fushun coal mines on the evening of May 10. The men were killed by an elevator, heavily loaded, dropping on them at the bottom of the shaft. The explosion shook the elevator from its cables.

Armament Man to Head Mukden Arsenal

Lieut-Gen. Fumio Murase, director of Okura and Company, one of the leading Japanese armament importing firms, will probably succeed Lieut.-Gen. Enjiro Kurosaki, retired, as head of the Mukden Arsenal Company. Gen. Kurosaki has expressed a desire to retire. The Mukden Arsenal Company, which took over the operation of the plant, said to be one of the largest in Eastern Asia, after the establishment of Manchukuo, is financed by the Mitsui and Okura firms. The company has a capital of 2,000,000 yuan.

Japanese Consuls in Manchuria Hold Conference at Changchun

A conference attended by every Japanese Consul and Consul-General in Manchuria opened in the Japanese Embassy in Changchun, May 7 with General Takashi Hishikari, Commander-in-Chief of the Kuantung Army and Japanese Ambassador to Manchukuo as presiding officer. The chief subjects discussed were extra-territorial rights in Manchukuo and administration problem of the South Manchuria Railway Zone. Throughout the Congress (a *Rengo* message stated) the controlling influences exerted their utmost efforts toward obtaining constructive views from the consuls, whose official duties bring them in frequent contact with resident Japanese and citizens of Manchukuo. The consuls' views were desired because in Japan the views of authorities and citizens on the Manchuria policy have frequently been at variance, which fact often proves a stumbling block to Japan's Manchurian policy, a recent message from Changchun explained.

Japan Not Yet Ready to Abolish Exterritorial Rights

Kichigoro Nagao, chief of the Police Bureau of the Manchukuo Department of Civil Affairs, stated before the meeting of Japanese consuls in Manchukuo, who gathered in Changchun recently for their third annual conference, that improvement of the police system in Manchukuo and the raising of the standard of police officers is necessary before Japan can abolish extraterritorial rights in the new state. There are 60,000 police officers in Japan and 20,000 in Korea, Mr. Nagao said. Combining the two, there is one police officer to every 500 people living in the cities, and one officer to every 1,000 residing in the rural districts in Japan and Korea. In Manchukuo, there are today 90,000 police officers, or three times the number of officers in Japan.

Japanese Army Officials Press for Unified Control in Manchuria

The staff correspondent of the *Osaka Mainichi* telegraphed from Changchun May 4 that a supreme control organ for the execution of the Nippon national policy in Manchuria, with the army authorities as its nucleus, is to be established in the near future. The organ will be monistic in form, with the commander of the Kwantung garrison as the center of the body and with political and economic staff-officers under him. The body will cooperate with the Manchukuo authorities in pushing forward the realization of the Nippon-Manchukuo economic bloc.

Major-General Okamura, vice-chief of staff of the Kwantung Garrison, arrived back in Changchun May 4 from Tokyo where he had been negotiating with various official quarters relative to Japan's economic policy vis-a-vis Manchuria, after attending the conference of the army leaders. The Kwantung Garrison attitude toward the project, as explained by Major-General Okamura in Tokyo, is reported to be that in order to incorporate an ideal Nippon-Manchukuo economic bloc, for the encouragement and the assistance of the movement of the Nippon masses to Manchuria, and for the purpose of expanding Japan's national economic power vis-a-vis the world, the realization of a powerful and supreme Japanese control body in Manchuria is a most urgent necessity. Though the establishment of such a body may not be desired by the existing Japanese financial circles and the higher classes with vested interests, it must be remembered (this is the Japanese Army view) that with the coming recognition of Manchukuo by the powers, the establishment of such a body will grow more and more difficult to realize. Thus, a project of such a nature is one which cannot be neglected even for a day, the Army feels.

Negotiations on Sale of C.E.R. So Far Without Result

The second intermediary meeting for the Soviet-Manchukuo negotiations concerning the sale of Soviet interest in the North-Manchuria (Chinese Eastern Railway) was held in the Foreign Vice-Minister's official residence in Tokyo May 9. The third intermediate session of the Soviet-Manchukuo negotiations on the transfer of the Chinese Eastern Railway was held in Tokyo May 14. *Rengo* says there "seemed to be a gap between the contentions of the two nations."

Incident at Chihsien Settled to Japanese Satisfaction

An incident in which it was alleged that Chinese troops had fired on a Japanese unit near Chihsien, in the demilitarized zone in North China, which for a time threatened serious complications in that region, has terminated without anything specticular occurring. An announcement by the Kwantung Army headquarters in Changchun May 14, which was brief, said that the firing incident had been amicably settled May 12 after Chinese officials had recognized that their soldiers had fired on the Japanese. "Because of the sincerity shown by the Chinese," the announcement said "the incident was settled." The Kwantung Army headquarters, on May 11, charged that the Chinese were "committing frequent trespasses in the demilitarized zone," and cited the Chihsien incident, which took place on May 5, as the "latest violation."

According to the terms agreed between the Chinese and Japanese military, (*Rengo* version) the "culprits," who fired upon the Japanese troops will be punished, while the officer responsible for the incident will make a formal apology. The present peace preservation corps at Chihsien will be transferred and the new peace preservation and volunteer units will be deprived of heavy firearms. A guarantee that such an incident would not recur was also offered by the Chinese, the Japanese account of the agreement stated.

The earlier Japanese reports stated that the unprovoked firing by Chinese garrison troops on a supply squad of the Sugihara garrison forces as it was returning to its station after transaction of business with the Chinese authorities, occurring May 5, constituted a flagrant breach of the Tangku Truce Agreement. The first news of the incident was introduced by *Kuo Min* with the statement that "further acts of provocation and sabre-rattling are being staged by the Japanese military in the 'demilitarized zone' in North China."

Japanese Continue Work on Airdrome at Tientsin, Despite Protests

Under the supervision of Japanese police, Chinese workers are continuing work on the Japanese airdrome in Tientsin. The Bureau of Public Safety wrote to the Japanese military headquarters protesting against its construction, but did not receive a reply. Japanese newspapers in Tientsin openly declare that preparations are under way for extending the Japanese Concession in Tientsin. General Yu Hsueh-chung, Chairman of the Hopei Provincial Government, denies that consent has been given for the erection of the Japanese airdrome near the Nankai Race Course, but in order to prevent an aggravation of the dispute, "a watchful attitude has been taken by the Chinese authorities." This, he said, could not be regarded as consent to the Japanese action.

Japanese Force Manchukuo Notes on Shanhaikwan Merchants

According to reports from Shanhaikwan, Japanese soldiers are forcing the Chinese merchants at Shanhaikwan, Tangshan, the Kailan mining center, and Chinwangtao, to accept "Manchukuo" banknotes. Japanese and Korean "ronins" are stated be openly trafficking in narcotic drugs. Chinese police May 10 found a 50-lb. bomb hidden near the Peiping-Liaoning Railway workshop at Tangshan.

The preparatory office for the creation of a bureau for the mediation of capital-labor disputes in the Luanchow-Shanhaikwan Area has begun functioning at Tangshan under the direction of Tao Shangming, Special Commissioner for the Supervision of Administration in the Area.

The Japanese army staged extensive maneuvers in the Tangshan area during the week. Airplane flights were a particular feature.

In spite of protests made by Tao Shang-min, administrative commissioner of the Luantung area, a Manchukuo police station has been formally established at Kiumenkow, one of the Great Wall passes.

A Peiping message dated May 11 to the *Shun Pao* stated that General Shan Yu-shan has sent his agents to various districts to create disturbances. General Shih, among other activities, has organized an assassination corps of fifty members in Tientsin.

Recent Japanese telegrams alleged that a number of Red Russians disguising themselves as fur traders have entered the districts of Inner Mongolia, Chahar, Wu-chu and Mu-chen in the

north-western part of Jehol Province from Outer Mongolia and are engaged in Red activities.

The Peiping Branch of the Military Affairs Commission has accepted the surrender of the 3,000 bandits under Yang Hou-siao who are at present concentrated between Kangpao and Paochang in western Chahar.

Japanese Want to Farm Cotton in North China

Having failed in their attempts to cultivate cotton in Manchuria owing to climatic condition, various Japanese interests are now trying to obtain a concession in the "demilitarized" zone in North China. The Japanese have decided to invest one million yen in the "demilitarized" zone for the cultivation of cotton. Strong pressure is being put on the Chinese authorities by the Japanese for the acquisition of a large tract of land of 300,000 *mow* (about 50,000 acres.)

Manchukuo Establishes Customs Station in Eastern Chahar

The Finance Ministry of Manchukuo has established customs stations in Dolonor and Kuyuan, in eastern Chahar. They have already begun to levy duties on furs, skins and other articles entering Chahar. The Japanese are building barracks in Heitayintse, in eastern Chahar.

There are now about 2,000 Japanese in Jehol besides Japanese troops and railway officials, a recent Nanking message stated.

The Japanese have reinforced their garrisons in Hsifengkow and Sahochao and have also taken other military precautions. Many residents of these two places have left for fear of possible trouble. The Japanese are compelling shop-keepers to fly the Manchukuo flag.

Large numbers of Japanese units have been passing frequently through Kupeikow of late to eastern Chahar, according to Captain Hsu Shih-ying, Commander of the peace preservation units at Miyun. The Japanese soldiers at Paimakwan and other minor passes of the Great Wall are supervising the construction of roads.

Japanese Say Retrocession of Malanyu Out of Question at Present

Colonel Shibayama, Japanese military attache in Peiping, stated in an interview May 10 that the retrocession of Malanyu was at present out of the question. He emphasized that this question, as well outstanding Sino-Japanese questions in North China, would be automatically settled as soon as the question of through railway traffic and postal relations with the Northwest had been solved.

Two hundred Japanese soldiers, arriving from Malanyu, one of the passes of the Great Wall, entered the walled city of Chihsien in the "demilitarized zone" May 12.

Li Chi-chun Again Creating Trouble

General Li Chi-chun, who created much trouble last year as head of an "independent" state in the Luantung area, is agrin reported very active. He has gathered together his former followers in the Chinchow area and styled himself commander of the "eighth army."

Soviets Continue Intense Industrial Development in Far East

Moscow advices state that the allotments for big constructional schemes in 1934 for the Far East reached the amount of 1,800 million roubles. Among the principal large constructions are the oil refinery at Khabarovsk, a cement plant at Spassk, new coal mines at Artem and Kivde, a sugar factory at Nikolsk-Ussurisk, a refrigerating plant at Vladivostok, a mechanised bakery at Khabarovsk and milling combines at Khabarovsk and Bochkarevo.

A number of Arctic expeditions are being organized by the Soviets. The Kara Sea expedition escorted by the icebreaker *Lenin* will sail for Igarka from Leningrad in July. The Lena expedition will be repeated, the object being to escort four steamers to the mouth of the Lena and Bay of Nordvick. Sibiriakov will leave Archangel in July for the Laptev Sea and deliver houses, equipment and provisions for the Arctic stations of the Kotelny and B. Liakhov Islands. These are in addition to other expeditions.

Exhibition of Chinese Paintings Held in Moscow

An exhibition of Chinese paintings, organized by the Society for Cultural Relations with Foreign Countries (VOKS) was opened in Moscow May 6. Altogether 337 paintings, including 80 masterpieces by ancient Chinese artists, are being displayed. The Chinese Charge D'Affaires, Wu Nan-ju, in a speech of welcome, thanked the Soviet public for the keen interest shown in the exhibition. A speech was also made by the Chairman of Moscow Association of Soviet artists. The organ of the Soviet Government, *Izvestia*, commented that the importance of the exhibition consists in that the wide masses of population of the Soviet capital and the artistic circles of the USSR have been given the opportunity to acquaint themselves with the main stages of the

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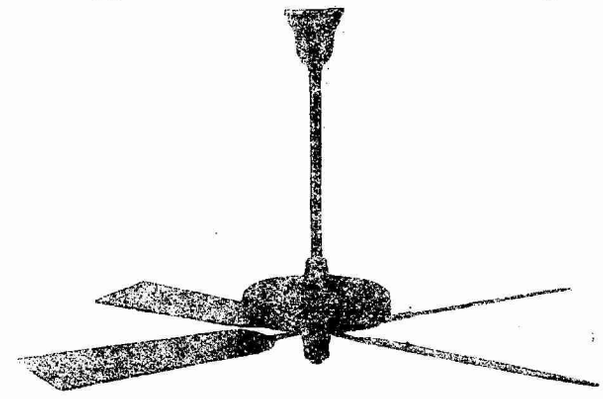

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Shake-up in Soviet Foreign Affairs Office

The Central Executive Committee of the Soviet Union May 11 issued a decree abolishing the Collegium of the Commissariat of Foreign Affairs. Krestinsky has been appointed the first assistant-Commissar of Foreign Affairs, Stomoniakov, second Assistant-Commissar. Karakhan and Sokolnikov have been relieved from their duties of assistants of the Commissar of Foreign Affairs, and will be given diplomatic posts.

Soviets Generally Agree to Japanese Proposals on Fishery Dispute

As the result of a conference between Foreign Minister Hirota and Soviet Ambassador Yureneff at Tokyo May 11, the outstanding fishery dispute was settled. Soviet Russia has agreed to put up for auction again 47 fishery grounds, and for 42 of these the Russians will refrain from bidding. The Soviets also accepted the Japanese viewpoint that the exchange rate on the yen and rouble should remain as formerly at 32½ sen to the rouble and not 75 sen as the Soviets had previously insisted.

Soviet Ambassador Yurenev called on Foreign Minister Hirota May 3 and asked for the release of the Soviet steamer *Pebikoff*, which is being held by the Japanese Navy at its base at Ominato, Aomori prefecture, for venturing into Japanese fishing waters. The Soviet Ambassador said the fishing season is near at hand, and the Soviets needed the boat. The Foreign Minister promised a speed investigation, and is reported to have asked in turn that the skipper of the fishing boat *Kotohira Maru*, held by the Russians since last year, be freed.

"Cheliuskiners" Returning to Vladivostok

After many weeks of extremely difficult passage among icefloes, the steamer *Smolensk*, which had sailed from Vladivostok to Lawrence Bay and Providence Bay in order to take the crew rescued from the icebreaker *Cheliuskin* back to Vladivostok, safely reached Lawrence Bay May 14.

Soviet Battery Alleged to Have Fired on "Manchukuo" Boat

A tense atmosphere prevails in Japanese military headquarters at Tsitsihar following an incident on Sunday morning, when a Soviet battery is alleged to have fired on a "Manchukuo" vessel near the confluence of the Amur and Sungari rivers. A Japanese officer, Captain Sakurai, who was in command of of a small detachment of Japanese troops who were on their may to Taheiho, on the Manchuria bank of the Amur, opposite Blagoveschensk, is said to have been seriously injured. The Japanese have filed protests with the Soviet authorities at Harbin.

Kiangsu Starts Opium-Suppression in Earnest

A set of measures providing for the complete suppression of opium-smoking in Kiangsu in four years was approved by the Kiangsu Provincial Government at a meeting in Chinkiang May 12. According to these measures, opium-suppression committees are to be established in all districts throughout the province, with a view to etadicating the evil in four years. Special permits (for which a fee will be charged) are to be issued, on application, to all opium addicts and opium dealers from June 1 to August 31 next, authorizing the exemption of such smokers and dealers from punishment during the 4-year period. These permits will not however be renewed at the expiration of the period. Opium addicts who wish to cure themselves of the evil during June 1-August 31 will be given free medical treatment at the Provincial Hospitals. Persons found guilty of manufacturing, smoking or trafficking in morphine, "pink pills," or other kinds of narcotics will be arrested and handed over to the Military Affairs Commission for trial and punishment in accordance with Military Law.

Total suppression of opium smoking in Kiangsu province within four years is promised by Chen Kuo-fu, Chairman of the Kiangsu Provincial Government, in his report on the opium situation at the joint memorial service of the Kiangsu Provincial Government and the Kiangsu Provincial Party Headquarters held last week. No less than 200,000 people in Kiangsu are opium addicts, Mr. Chen said.

The cooperation of the military is sought by the Shensi Provincial Authorities in their determination to stamp out the opium evil in the province. Shao Li-tzu, Chairman of the Shensi Provincial Government, in identic communications to the military units stationed in different parts of Shensi, requests them to render every assistance to the local civil authorities to prevent poppy-growing.

A large consignment of opium, totaling 11,120 ounces, was seized recently by the river police on a boat at Lungmenkow, near the Kiangsu Provincial capital. Four boatmen were arrested. The opium, contained in five large sacks, is now in the custody of the Kiangsu Provincial Department of Civil Affairs.

Wang Shih-tsai, Commissioner of Public Safety at Hsuchow who is accused of being involved in the drug traffic, has been arrested by order of the Kiangsu Provincial Government. Chen Hsi-che, district police chief, has been dismissed from office for accepting bribes.

General Chiang Threatens Capital Punishment

General Chiang Kai-shek in a recent order to the various Provincial Government and military organs, stated that all those found engaged in the manufacture, transport or sale of narcotic drugs will receive capital punishment. Civil officials found encouraging the traffic will be similarly treated, the order stated.

Loans totalling $1,500,000 will be made to various hsien in Jehol province by provincial authorities to aid spring cultivation, it was announced in Jehol City May 4. Gen. Chang Hai-peng, governor of the province, has been apponted chairman of the Spring Loan Supervisory Committee.

Red Pill Factory Raided in French Concession

Four Chinese were arrested by the French police May 14 when they raided in Rue Prelupt a factory for the manufacture of red (morphine) pills. A large quantity of narcotic pills and an expensive machine for manufacturing them, were seized by the police.

Japanese Expert to Seek Data on Manchukuo Opium Monoply

Dr. Dannosuke Miyajima, a member of the Narcotics Bureau of the League of Nations, arrived in Dairen May 15 after an extensive investigation trip in north China. He expects to spend several weeks in Manchuria studying the methods used by the Manchukuo government in controlling and diminishing the use of narcotics.

No. 1 British Cigarette Factory Closes, Following Labor Trouble

Following a series of strikes during the past several years, which were but a small part of the almost daily trouble which the Company had with its workers, the management of the No. 1 British Cigarette Co. at Pootung, announced May 11 that it would close the factory permanently. Continued insubordination of the workers made it impossible to operate the factory properly, the management said. The climax came several days previously when the workers refused to clean the machinery preparatory to closing the factory for the week. The laborers, it was announced, would be paid their wages and compensated according to law, and in addition will receive the entire amount of savings fund (all of which have been contributed by the company). The other factories belonging to the Company at Pootung will continue to operate.

A temporary suspension of work at the No. 2 factory of the British Cigarette Company in Pootung occurred in the morning of May 14 due to a disturbance caused by the ex-workers of the company's No. 1 factory. Work was again resumed in normal fashion after Chinese police had dispersed the demonstrators.

Revision of Cigarette Tax Proposed by Dr. Ma Ying-chu

The Financial Affairs Committee of the Legislative Yuan is considering a proposal by Dr. Ma Ying-chu that the present tax on cigarettes should be revised. It is contended that the present tariff, which divides cigarettes into two grades for the purpose of taxation, is unsatisfactory and has inflicted great hardship on Chinese manufacturers.

Forty-five tobacco factories in Shanghai recently addressed to the Legislative Yuan and the Ministry of Finance recommendations that rolled tobacco should be taxed according to value, and that a tax of 50 per cent. *ad valorem* might be imposed to the benefit of all parties concerned.

One of the first effects of the New Life Movement sponsored by General Chiang Kai-shek, is that the income from the consolidated tax on rolled tobacco in Kiangsi has shown a remarkable decline, the revenue in April having been one-third lower than in the preceding month.

Italy Has No Objection to Japanese Growing Cotton in Abyssinia

Signor Aureti, Italian Ambassador to Japan, called on Foreign Minister Hirota May 8 so as to "dispel any misapprehensions" the Japanese government may have had as the result of press reports that Italy was opposed to the cultivation of cotton by Japanese in Abyssinia. A concession was recently granted by the Abyssinian government to a Japanese syndicate under the terms of which the Japanese were to cultivate large tracts of cotton-producing lands.

It will be remembered that some months ago it was announced that an Abyssinian Prince was to marry the daughter of a Japanese Viscount, but opposition to the proposed marriage from Japan put an end to the matter.

Far Eastern Olympiad Events at Manila Hotly Contested; Filipinos Lead

The 10th Far Eastern Olympiad commenced on Rizal Field, Manila, May 12. Manuel Quezon, President of the Philippine Amateur Athletic Federation, made the opening address when the games started. Governor James Murphy, Dr. C. T. Wang, chief delegate of China, Dr. Hiranuma, head of the Japanese team, and Dr. Bland of the Netherlands East Indies also made short speeches.

Dr. C. T. Wang on arrival expressed his satisfaction for being able to bring to Manila the best selected team of athletes China had ever gathosed together.

Dr. Wang Shih-chieh, Minister of Education, despatched a message of cheer and encouragement to the Chinese athletes participating in the meet. Overseas Chinese in the Philippines contributed a sum of $2,000 towards the entertainment of the China team.

As one of the main events in the preliminary program for the Far Eastern Olympiad, Governor Murphy gave a dinner party to the participating officials and athletes at his official residence on May 11. In the afternoon, the girl athletes were the guests at a tea party at the Women's University of Philippine Islands.

The high temperature of the water in Manila swimming pools was objected to by Ichiro Kaga, head aquatic coach of the Japanese Olympic Team.

The Japanese baseball team defeated the Chinese team 20 to 1.

Ichiro Yamagishi and Hyotaro Sato, Japanese, overwhelmingly defeated Khoo Hooi-ye and Kho Sen-kie, Chinese, in the first doubles tennis matches May 13.

In volley ball China defeated Japan by a score of 21-18, 13-21, 21-16, 10-21 and 21-14. The Netherlands East Indian team outplayed the Japanese eleven to win to by a score of 7-2.

In volleyball May 14, the Filipinos in turn beat the Chinese by three straight sets.

A fast-fighting Chinese team May 14 defeated the powerful Netherland East Indians in a thrilling football game.

In the tennis games May 14 between Philippines and Netherlands East Indies, Manila obtained 3 points to Java's 1.

The remaining two games of tennis between China and Japan were played out May 14. Having captured 3 points by winning two singles and one doubles, Japan is already a winner in the contest against China, as there were only two singles left to be played.

May 15 events:—The Filipinos defeated China in pistol shooting. The Filipinos beat the Japanese at volley ball 21-17, 21-18 and 21-17, while the island women bested their Chinese sisters 22-24, 21-16 and 21-16. The Japanese football team downed the Filipino team, 4-3. In baseball, the Filipinos beat the Nipponese by a score of 7 to 0.

At latest accounts the Filipinos were in the lead. Various minor disputes occurred during the games, but nothing of a serious nature developed to prevent a fine exhibition of sport.

U. S. May Propose Preliminary Arms Conference

A *Havas* message from London May 9 predicted that the Washington Government is going to propose that a tripartite preliminary conference be called in London comprising besides Great Britain and the United States representatives of Japan as well. The objective of the conference would be the definition, on the eve of the naval conference of 1935, of the attitudes of the three powers—which would enable the signatories to the London Treaty to appreciate beforehand the chances of an accord. On the same date, according to a *Reuters* message from Tokyo, the Japan's Navy's decision "to extricate the country from the fetters of existing disadvantageous naval treaties" remains unchanged, according to a declaration by Admiral M. Osumi the Navy Minister.

Smuggling from Dairen as a Fine Art

H. J. Greenwall, special correspondent of the *London Daily Express* states that smuggling between Dairen and China is the finest of fine arts. "They smuggle everything, even grand pianos and motor cars straight from the U.S.A. The smugglers themselves are merely Chinese sailors, but the men higher up, the men in 'the big money' are Chinese financiers and Russians. The Chinese backing the scheme are mostly in Tientsin and their Russian agents travel backwards and forwards between Dairen and China. Dairen is a free port and where the smugglers' art comes in is to remove the goods from the wharves of the free port and land them in China surreptitiously."

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It should therefore be noted that any Huchao issued in the former style which may be presented to cover movements of military articles, whether time-expired or not, will from the 12th May, 1934, be treated as invalid, and the applicant will be required to produce a Huchao in the new form, which is printed on wadding paper (皮紙).

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Japan Tries to Force League to Dismiss Dr. Rajchman

The report of Dr. Ludwig Rajchman, technical liaison officer between the League of Nations and the National Economic Council of the League of Nations, will be published in full in the *Review*, the first instalment appearing this week. To say that Dr. Rajchman's activities in relation to China are objected to by the Japanese Government is putting the situation very mildly. The Japanese are doing their utmost to prevent Dr. Rajchman's return to China. In the meantime, Dr. Wellington Koo, Minister to Paris, who proceded to Geneva during the week to attend the meeting of the League Committee on Technical Cooperation with China, has been instructed by the Nanking Ministry of Foreign Affairs to inform the Committee that, upon his return to China, Dr. Rajchman would continue to be responsible for work entirely within the scope of his mission. Dr. Rajchman's one-year term as League liason officer in China will expire in October. Whether or not his term will be renewed apparently depends upon the outcome of the discussions now proceeding an Geneva.

A Question of Prestige

Officials of the League of Natlons expressed the opinion that Japan's threats world force the China Committee to renew the commission of Dr. Rajchman as liaison officer as, if he were not re-appointed to the post, League officials said it would appear that the League had abjectly surrendered to Japan's new policy regarding foreign aid to China.

The Japanese viewpoint is decidedly that no matter what the initial aspects of the Rajchman recommendations as regards financial assistance to China may be, it must inevitably take on political coloring in the course of time and ultimately will affect the internal affairs of China adversely. All similar loans to China have been handled blunderingly, the Japan Foreign Office maintains, and therefore it argues, Dr. Rajchman's plan not only fails to promise unity and stabilization, but threatens to increase the internal conflicts that are going on at present in China. According to the *Jiji*, Japan cannot overlook the fact that certain factions in China are attempting to use League assistance as a means of formenting conflict between Japan and the League of Nations and that in the end the scheme will not at all work for the peace of East Asia. Japan, the *Jiji* says, has no objection to fair and just assistance rendered by the Powers in technical and financial matters, but, "viewing the fact that Japan is the sole factor in maintenance of the peace of East Asia, she finds it imperatively necessary to oppose any plan which disregards the fact that Japan is most interested in peace and order in this quarter of the world."

The London *News Chvouicle* May 12 stated that a study of his Dr Rajchman's report shows the hollowness of the Japanese claim that the assistance given to China by the League has been "political" in any sense, except that it does certainly assume that a strong, prosperous and independent China is desirable.

Reappointment Not Likely, Japanese Believe

While admitting that the Council of the League of Nations probably would adopt the report submitted by Dr. Rajchman high Japanese Government cireles were quoted by *Rengo* May 15 as being inclined to doubt that the author of the document would be reappointed. They based their belief on the assumption that the League Council would not deliberately appoint Dr. Rajchman in the face of repeated Japanese objections. The officials recalled the charges of anti-Japanese political activities of Dr. Rajchman at the time of the visit to the Far East of the Lytton Commission of Enquiry. These actions, they reiterated, were in excess of his official capacity, since Dr. Rajchman was then a League health officer, it is held. The League Council began deliberating on the report at Geneva May 15, which proposes the extension of the plan of collaboration between technical experts of the League and China. Should the recommendations in the report be adopted by the Council, a large number of league experts would probably be dispatched to China. Japanese officials were speculating as to when these technicians would be sent. They mentioned that the finances of the League are not in very good shape, following the withdrawal of both Japan and Germany and the default of dues by several members. China was long listed as a defaulter, and still has an enormous balance due, they said. The Chinese Government, however, League tabulations show, has been paying its League fees since 1931.

While admitting that Dr. Rajchman, probabiy, would press members of the Council to reappoint him, Japanese officials were firm in their opinion that the League would avoid such a step "because it might lead to further misunderstandings between Japan and the Geneva organization."

This is the Japanese attitude on the surface. As a matter of fact, in various devious ways the Japanese government is bringing pressure to bear on the China committee and the League to procure Dr. Rajchman's immediate dismissal.

Quo Tai-chi Writes in London Magazine on Dr. Rajchman's Work

Quo Tai-chi, Chinese Minister to Great Britain, contributed in the March 28 issue of the New Britain, London weekly magazine, an article on "The Interaction of China and the West," in which the following points stand out prominently.

There are many who think of the interaction of China and the Occident in terms only of closed compartments. Many of us seem to hold the view that we Chinese should keep our present mental attitude and instincts intact and annex a lot of ideas and practices, in code and industry, from the Western World—but simply to add them on to what China already has, much as a bride's baggage has attached to it, and dangling from it, odds and ends of old shoes and knots of ribbon. Many of us who are sympathetic to the idea of rapprochement with the Occident envisage it that way. Many of us who are hostile to such rapproahement have that same idea of it, while some—only too ready to discard the teachings of sages and ancestors—go even further, and think of substituting the West for the East.

The importance for China of this intellectual co-operation lies not in mere addition or substitution, but in modification of Chinese ideas and customs. Not a transformation, but modification. Certainly not a substitution, but an interaction. In many fundamental matters Western ideas can be a wholesome corrective—in our sense of the family, in our attitude toward industrialism, in our attention to sociological as contrasted with business problems. We Chinese have been heavily bowed under the bludgeonings of fate these past years—to paraphrase Henley.

Since the League of Nations formal condemnation and ostracism of Japan in February last year the movement for China's co-operation with the West has been increasingly organized. From 1925 on, China has been active in proposing or accepting the proposals for League collaboration in her affairs. Public health, public works, especially as regards a system of roads and river conservancy, a standardization of finance, a rehabilitation of education, are four basic problems for which League experts visited China before 1930. A National Economic Council in China has been organized by the Government and, in spite of our manifold difficulties, has got to work well beyond the mere formulation of paper plans. The League experts have been in China in participation with this National Economic Council. The Report of the Assembly of the League of Nations, unanimously adopted on February 24, 1933, stated that "the final requisite for a satisfactory solution is temporary international co-operation in the internal reconstruction of China, as suggested by the late Dr. Sun Yat-sen." A step toward implementing this part of the Assembly report was taken when the special China Committee of the League Council held its first meeting on July 18 in Paris, with an American observer present, and appointed Dr. Rajchman, Director of the Health Section of the League Secretariat, as technical delegate for one year to act as liaison officer of purely technical and entirely non-political character with the National Economic Council of China for the purposes of technical co-operation with the competent organs of the League of Nations. There are influences in Asia that regard this broad program of co-operation as an affront. To China that program is obvious and normal. She stakes her future on international co-operation and knows that there, and only there, lie her prosperity, her progress, and her safety.

How Nanking Views the Manchuria Postal Question

The Chinese Ratepayers' Association in a letter to the Secretary of the Shanghai Municipal Conncil draws attention to a report appearing in rhe *China Times* that one Tsai Yang-chi, was tortured by the Settlement Police in an attempt to make him confess to a theft. It is alleged that Tsai was tortured seventeen times by means of an electric machine and that at other times water was poured into his nostrils. Although he was later released, he is said to have been physically ruined. The Association requests that an enquiry should be made into the matter.

American Minister Johnson Addresses Nanking Rotary Club

Nelson T. Johnson, The American Minister, was the guest of honor May 10 at the Nanking Rotary Club. Mr. Johnson in an address spoke of the changes in Nanking which he had personally witnessed since February 1, 1930, to the present time. Mr. Johnson also spoke of the developments in China as a whole since he first came to China 27 years ago, mentioning especially the speeding-up of communications through the use of airplanes, both for mail and for passengers; he remarked upon the devetopment and improvement in all parts of China and mentioning the remarkable increase of resources of certain banks, such as the Bank of China.

Who's Who in China

General Hsu Ting-yao, Army Commander; born at Wuwei district, Anhwei, 1891; after having completed his secondary education at Yuan-Kiang Middle School in Wuhu, he attended the Wuchang Preparatory Military School and was later graduated from the Paoting Military College; following graduation, he entered army service, starting his career as a company commander; during the Nationalist Revolution in 1926, he was appointed Commander of the 8th Regiment of the Nationalist Army and has since served successively as vice-Commander of the 4th Independent Division, vice-Commander and later Commander of the Second Nationalist Division; Commander of 1st Brigade of the 1st Nationalist Division; Vice-Commander and later acting Commander of the 1st Nationalist Division; Commander of the 4th Nationalist Division; Garrison Commander of Pengpu, Anhwei; Field-Commander of the Ist Column of the Communist-Suppression Forces in Honan, Anhwei and Hupeh; Commander of the 17th Nationalist Army and Field-Commander-in-Chief of the 8th Route Army, in which capacities, he fought against the Japanese invaders in the Spring of 1932 at Kupeikou and Nantienmen Passes north of Peiping; after conclusion of the campaign, he was appointed a member of the Military Affairs Commission at Nanking, member of the Peiping Division of the Commission, Director of Paoting Provisional Headquarters of the President of the Military Affairs Commission, which posts together with that of Commader of the 17th Army he now retains; appointed Head of the Chinese Military Inquiry Mission to Europe by the National Goveanment April, 1914 and left China on the Mission on May 11 for Europe; well versed in Chinese caligraphy, painting and mathematics; author of several books on military tactics; address: c/c Military Affairs Commission, Nanking.

徐庭瑤號月祥

General Hsu Ting-yao

徐庭瑤。號月祥。安徽無爲縣人，年四十三歲，幼肄業蕪湖皖江中學。武昌陸軍第二預備學校。後入保定軍官學校畢業後。歷充連長，營附，營長，團附，參謀長，國民革命軍第八團團長，獨立第四師副師長，國民革命軍第二師副師長，師長，國民革命軍第一師第一旅旅長，第一師副師長兼代師長，陸軍第四師師長，蚌埠警備司令，鄂豫皖三省剿赤軍第一縱隊指揮官，陸軍第十七軍軍長，華北抗日軍第八軍團總指揮，國民政府軍事委員會北平分會委員，國民政府軍事委員會委員長保定行營主任，國民政府特派赴歐美軍事考察專員等職，國內討逆剿赤諸役。靡役不從。民國二十二年。卒部抗日。轉戰於古北口南天門新開嶺一帶。予日軍以重創。尤爲國人所稱道。爲人溫文而雅。工篆刻。善丹青。精數學。著有。帶兵經驗語。幹部必攜。實戰指揮參攷等書。現任第十七軍軍長暨軍事委員會委員長保定行營主任，軍事委員會北平分會委員。等職

Chinese Bandits Capture American Missionary in Szechuen

Bandits captured the Rev. Howard A. Smith, of the Christian and Missionary Alliance at Pengshui, Szechwan on May 8. Mr. Smith is an American—a native of Washington, Pennsylvania. Penghsien is a city located about 30 miles northwest of Chengtu. He was taken prisoner by bandits under the command of the notorious Ho Lung.

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The China Weekly Review
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68-515

Men and Events

Admiral Sir Frederick Dreyer visited Hankow in the *Suffolk* from May 13 to May 17.

Northern Kiangsu is suffering from famine as a result of long drought. About ten thousand refugees have fled to Tsinkiangpu and neighborhood.

The Harvard University Yen Chung Institute for Research in Language and Culture of the Orient May 1 awarded a fellowship to Edwin O. Reishauer of Tokyo.

The death occurred in Shanghai May 12 at the age of 77 of Edward H. Dunning, one of Shanghai's oldest foreign residents. He was a native of Georgetown, Delaware.

A. M. Chapelain, postal commissioner of Shanghai, has been promoted to be first rank commissioner as from April 1. The promotion raises Mr. Chapelain's monthly salary to $1,947.

East Africa tea planters reached an agreement at Nairobi May 9 on the proposals of the International Tea committee for the inclusion of East Africa in the restriction scheme.

Three professors, 1 assistant and 18 students of the Science and Engineering Colleges of Chung Shan University, Canton, are at present in Japan to study the Japanese chemical industries.

The Chinese Ratepayers' Association of the French Consul-General has demanded the prohibition of greyhound racing and Hai Alai on the ground that they are operated for gambling purposes.

General Chiang Kai-shek has issued an order to the Kiangsu Provincial Government to institute the system of *pao chia* (Mutual Guarantee) in Kiangsu immediately, and to carry out a land survey.

A Public Health Exhibition was formally opened at the Chungshan Park in Peiping May 12 under the auspices of the Peiping Municipal Government. Numerous charts, programs and models are on display.

The body of Albert Reynold Johnson, 1st Class Private of the 2nd Battalion, U.S. Marine Corps, who shot himself in the Chengtu Road billet recently, will be sent for burial to his parents in Lynn, Massachusetts.

A large gasometer at West Point, Hongkong, exploded May 14, killing more than 20 persons outright, causing a huge conflatration, and seriously injuring about 100 persons, half of whom have little chances of recovery.

Lieut.-Colonel Seisaburo Kinoshita, Japanese officer attached to the Embassy at Washington, died at Milford, Connecticut, May 7, as the result of a motor car accident. His body was cremated at Little Village, N. Y.

Wang Hsiao-lai, chairman of the Shanghai Chinese Chamber of Commerce, has been elected chairman of the Chinese Ratepayers Association of the International Settlement for the year 1934. C. M. Hsu, was elected vice-chairman.

Robert J. Grant, adviser and chief engineer of the Central Mint, has been invited by the Ministry of Finance to serve as a member on the currency reform committee, which is to be inaugurated in Shanghai in the near future.

General Chang Fa-kwai, former Commander of the 7th Nationalist Revolutionary Army, known in China as the "Ironsides," at present in London, is stated to be studying English. General Chang is due to sail for the United States in July.

Leon Friedman, general manager of China Motors, returned to Shanghai last week after a seven months tour of America, Europe, and the Near East. He spent considerable time in Switzerland and in the Spanish island of Majorca in the Mediterranean.

Captain Koori, imperial aide-de-camp, who has been making a tour of inspection on imperial command, having completed the inspection of the Japanese naval units and vessels in Hankow, returned to Shanghai on board the gun-boat *Futami* May 12.

Professor Masaharu Anezaki, librarian of the Tokyo Imperial University will proceed to the United States May 31 as Japan's first "cultural envoy." He will leacture on things Japanese in general at various American and European Universities, it was announced.

Reginald Sweetland, correspondent for the *Chicago Daily News* in Tokyo, was married on May 2 in Kobe to Mrs. A. Kallistof, formerly connected with the Chinese-American publishing Co. of Shanghai. Mr. Sweetland previously resided in Shanghai.

Nelson T. Johnson, American Minister, made another brief visit to Shanghai May 15 after a ten-days stay in Nanking. While here he called on Mayor Wu Teh-chen of the Municipality of Greater Shanghai. He departed on his return to Peiping the following day.

Dr. Florence E. Janson, professor of Government Economics at Rockford (Ill.) College, is expected to arrive in Shanghai in September. She will be married here to Alfred W. Sherriff of the *North China Daily News*. Mr. Sherriff is compiler of the *China Hong List*.

The International Assurance Co. Ltd. reports profits from operations for the year ending December 31, 1933, of $378,211.48. The directors have decided to recommend a dividend to $0.30 per share. The annual general meeting was scheduled to be held in Shanghai on May 18.

Marshal Feng Yu-hsiang, who has been living in retirement on the sacred mountain Taishan, departed from Tsman May 15 on a pleasure trip to Tengchow and other places in eastern Shantung. General Han Fu-chu, the Shantung chairman, has placed a special train at his disposal.

Wedgwood Benn, former Secretary of State for India, arrived in Shanghai last week with Mrs. Benn from Japan. He made a short stay in China studying conditions before continuing on a trip round the world which will take take him through Russia on his way to London.

Miss Blanche Mary Grambs of Tientsin is meeting with much success in her art work in New York City, according to letters received by her parents. She is working in the Art Students' League, which awarded her a year's scholarship in recognition of the exceptional talent she displays.

A possible outcome of the protracted conference of Germany's foreign creditors, in session during the week is that there shall be a two-year moratorium on debt payments and that raw materials to meet the requirements of German industry should be supplied on a credit basis for a similar period.

Two Japanese Army officers arrived in Hsuchow May 12 from Honan without proper passports. They attempted to visit Haichow and other cities along the coast, but were prohibited from proceeding there by the local authorities. They later boarded a south-bound train for Nanking.

Key Ostovan, the new Persian consul in Shanghai, proceeded to Nanking during the week to arrange the opening of negotiations for the conclusion of a commercial treaty between China and Persia. The Chinese Government will soon open consulates in Persia, according to information from diplomatic circles.

A number of athletic contests were held during the past two weeks in Nanking. A novel aquatic competition was held on Lotus Lake in the form of a boat race, in which a dozen boats were entered. First place was won by crew of Cantonese students from the University of Nanking.

Complying with a request of the Ministry of Foreign Affairs, the Ministry of Finance, in an order to the Customs authorities May 9 instructed them to notify all shipping companies to refrain from selling tickets to foreigners bound for China unless they can produce the proper passports.

Chen Kung-po, Minister of Industries and Commerce, who is visiting different centres in Malaya, the Netherlands East Indies and the Philipine Islands is receiving a warm welcome from the various Chinese communities. The Chinese Chamber of Commerce in Singapore held a reception in his honor.

Upwards of 60 guests, both foreign and Chinese, attended a dinner given at the Canidrome in the French Concession May 15 by the members of the China Overseas League in honor of Dr. Lim Boon Keng, president of Amoy University, on the eve of his return to Amoy after a brief visit to Shanghai and Nanking.

A group of village schoolmasters from Foochow, who are on an inspection trip to the Nanking was received by President Lin Sen May 11. The veteran President (who is a native of Fukien) counselled them not to become discouraged by difficulties but to persevere in their efforts for the cultural reconstruction of the rural districts.

A review of the Tsinan boy scouts and girl guides was held May 12. Altogether 1,492 Scouts participated. General Han Fu-chu, Chairman of the Shantung Provincial Government, took the salute. During the review, Captain Sun Tung-kang, trans-continental airman, circled aloft on his airplane and gave a few demonstrations.

A double launching took place of the Chinese Maritime Customs Preventive Vessels *Wenhsing* and *Yunhsing* from the yard of the Kiangnan Dock and Engineering Works May 10. The vessels will be propelled by two sets of the latest type of M. A. N. specially light Diesel engines. Engines will indicate about 1950 horse power when running full open.

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The remains of C. C. Julian, who committed suicide in the Astor House in Shanghai Mareh 25, were interred in the Hungjao Road cemetery May 11. Julian died in Shanghai almost penniless, after having accumulated millions of dollars in oil promotion schemes in California and Oklahoma. He was a fugitive from justice from the courts in Oklahoma.

Archbishop Mario Zanin, apostolic delegate to China, who arrived here last week, awarded on behalf of the Pope a gold medal to Lo Pa-hong, foremost Chinese Catholic leader and philanthropist in Shanghai during a ceremony at St. Joseph's Hospice in Nantao. The gold medal is one of the two given the Archbishop by the Pope to be carried to China. The other was awarded to Lin Sen, chairman of the national government, when Archbishop Zanin proceeded to Nanking to present his credentials.

Trebitsch Lincoln, on the eve of his deportation from England, May 11, stated that he would try to remain in Japan. Travelling with him are eleven occidental Buddhist missionaries. They left Shanghai about two months ago, intending to set up a monastery in Europe and to preach Buddhism throughout the Occident. They were deported with their leader.

Hu Chun-chwang, Chinese manager of the Deutsch-Asiatische Bank in Shanghai, is improving, following an operation on a fractured right leg. Mr. Hu broke his right leg when he fell from horseback during a ride in the Lanchow countryside made in company with T. V. Soong, Mr. Hu was carried to Shanghai from Lanchow by a Eurasia Aviation Corporation plane.

Sir Alexander Cadogan, the British Minister, M. Bogomoloff, the Russian Ambassador, and Nelson T. Johnson, American Minister, were all in Nanking at the same time during the early part of this week, conferring with various Chinese high officials. Japanese diplomatic circles were representated as being extremely interested in this fact—which they felt was something more than a coincidence.

By an order of the Kiangsi Provincial Government, all District Governments in Kiangsi must bring about the complete abolition of the exorbitant miscellaneous taxes in the province within four months. These levies include 12 kinds of salt tax (yielding a total of $420,000 annually), 44 kinds of exorbitant levies (yielding $320,000 annually), and 66 kinds of miscellaneous taxes ($520,000 annually).

For the first time in the history of the National Government, gunboats directly under the Central Government are holding maneuvers in Northern waters. Nine large gunboats and cruisers, consisting of the *Ying Jui*, *Ning Hai*, *Hai Yung*, *Hai Shou*, *Yat Sen*, *Chung Shan*, *Tzu Chiang*, *Yung Chi*, and *Ta Tung*, reached Tsingtao May 10 from the Chekiang coast where they have been holding maneuvers.

The China Military and Communications Inquiry Commission, jointly organized by the Military Affairs Commission and the Ministry of Communications departed from Shanghai on its eight-months tour of Europe and America May 11. The Commission consists of 18 members of the Ministry of Communications, with General Hsu Ting-yao and Yu Fei-peng, vice-minister communications, as chairman and vice-chairman.

The Kobe Water Police Office May 8 found the body of a British sailor, apparently drowned, floating in the harbor. It was later ascertained that the he was a sailor from the British cruiser *Berwick*, who had been missing since April 21. On May 3 in the same city, it was announced that Theodore Knight, one of the crew of the oil tanker *Pecos* belonging to Destroyer Squardron 5 of the U.S. Asiatic fleet, was missing.

Chinese in Malay are stated to be attracted by offers of cheap land made by the Chekiang provincial government at San Men Bay, in East Chekiang, where it is hoped to open a new commercial port in the interest of Malayan Chinese. Over 30,000 mow (about 6,000 acres) are reported to have been taken up recently by Chinese from Malaya, the Philippines and the Netherlands East Indies, most of the plots being in the Kianpa area.

Acting under authority given by telegraph from the United States from Judge Milton J. Helmick, newly appointed Judge of the U. S. Court for China, William T. Collians, Chief Clerk, sat as Commissioner May 11. Several traffic cases were heard. Roy G. Allman, member of the American bar, having left court before his case was called, was summoned to appear at an afternoon session. He was fined one dollar for failing to renew his license and parking his car in an unauthorized place.

Commenting on the recently concluded agreement on the restriction of output of rubber, Moscow *Pravda* commented out that this restriction scheme indicates a new stage in the intense struggle for rubber, which is going on between England and the United States. The materialization of the restriction scheme, now adopted, will undoubtedly encounter serious difficulties. Aside from the resistance of the United States and other consumers of rubber, there are also contradictions between the various groups of plantation owners, *Pravda* said.

Wang Ching-wei Reaffirms Principle of Religious Freedom

The principle of religious freedom was reaffirmed by President Wang Ching-wei in an interview at Nanking, May 15. Religious freedom cannot be attained, President Wang said except through religious tolerance—that is, through reprect for the various sects and religions besides those in China, for intolerance has been the chief cause of religious wars in the past. While the principle of religious freedom will always be upheld. superstition is not to be confounded with religion, Dr. Wang said. Thus, for instancr, while the study of the Buddhist scriptures is to be tolerated, the view that the mere recitation of certain passages from the Buddhist Canon will save the nation from disaster, can only be regarded as superstition.

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New Books of Interest in the Far East

Plain Speaking by an Old China Hand

China, by L. A. Lyall, with a foreword by H. A. L. Fisher, P.C., D.C.L.; published by Ernest Benn, Limited, London.

Orient and Occident, by Hans Kohn, The John Day Company, New York City, U.S.A.

If China ever achieves real nationalism, every Old China Hand, particularly of the British ilk, should be compelled to memorize Leonard A. Lyall's book (in the manner students used to memorize Mencius and Confucius) on pain of deportation. Not, as will be pointed out presently, that the reviewer endorses all he has to say, but amidst the voices, oral and written, of other Old China Hands, his is as refreshing as the summer monsoon.

And let it be emphasized that Mr. Lyall is a genuine, blown-in-the-bottle, 100% Old China Hand from the same land as O. M. Green, H. G. W. Woodhead, *et al.* A former Commissioner of the Chinese Customs, Mr. Lyall spent 40 years in this country and can boast more intimate, first-hand familiarity with the land than probably all the other Old China Hands put together who have written books about Cathay. And unlike the other Old China Hand "authorities" on China, Mr. Lyall has a profound knowledge of the Chinese language and has translated the sayings of Confucius and the works of Mencius into English.

Having established Mr. Lyall's *bona fides*, let us turn to his account of the Opium War, for there is no better test of whether an Old China Hand is talking through his whiskey-and-soda in the Shanghai Club or writing truthful history. As the reader is doubtless aware, the official British version of the war is that opium (God Save the King!) had nothing to do with the affray; it was caused entirely by heathen cussedness.

"We can but conclude," says Mr. Lyall, however, "that the war was due to the seizure by the Chinese of some two million pounds' worth of contraband opium, and to the desire of the British Government to protect the large revenue derived from opium by the East India Company and the profit made from the illicit trade in opium by British merchants . . . . At the end of the war China had to pay six million dollars for the opium she had confiscated and destroyed, and, having learned by experience that, whatever England might say, she was determined in practice to uphold the illicit traffic, China bowed to the inevitable, and the importation of opium grew and grew until till the whole land was contaminated . . . . (except for indemnity) no mention of opium was made in the treaty. England having in fact secured the continuation of the trade, the unclean subject was passed over with that seemly silence which has won for Englishmen the name of hypocrite throughout Europe."

Discussing what the *North China Daily News* always delights in labeling "xenophobia," Mr. Lyall says that "anyone (who) has traveled much in the interior of China and found that wherever foreigners are unknown he is treated with kindness and courtesy, whilst in regions frequented by foreigners he too often meets with rudeness and threats, can hardly doubt that the foreigner is chiefly to blame for the ill-will that prevails."

And now for a point that used to greatly agitate the local press agents of the Shanghai Municipal Council. Was or was there not ever a sign over the Public Gardens along The Bund which read: "Chinese and dogs not admitted?" Not, of course, that the matter is of any great importance, for the sign that was there only a few years ago—"these gardens are reserved for the foreign community . . . . dogs not admitted"—said the same thing in effect despite the circumlocution, but since denial has so often been issued that the blunter sign ever existed, it is interesting to have Mr. Lyall's testimony.

"Early in 1892," he writes, "I went to the Shanghai public gardens with another Customs man, who pointed out to me as we were going in, a notice hanging on the gate: 'Chinese and dogs not admitted.' We looked at one another and burst out laughing. This was my first introduction to the Shanghai mind."

"The British residents in Shanghai," says Mr. Lyall later, "are the spoilt children of the Empire. They pay no taxes to China, except that landowners pay a very small land tax, and no taxes to England. Judges and consuls are provided for them; they are protected by the British fleet, and for several years they have had in addition a British army to defend them; and for all this expenditure the British taxpayer pays."

Mr. Lyall is also highly critical of the Shanghai Municipal Council.

"When every allowance is made," he states, "the fact remains that the Council is quite unfitted for the task it is trying to carry out. Nine foreign merchants, engrossed in their own affairs, and knowing no word of Chinese in spite of living year after year in China, are incapable of governing a million Chinese even, it is to be feared, with the help of the five Chinese Councillors that have at last been added to their number. And the sooner the fact is recognized, and acted on, the better it will be for British interests in China; for British trade has suffered severely for the sins of the Shanghai Municipal Council."

The British seizure of Kowloon, on the Kwangtung mainland opposite Hongkong, is described by Mr. Lyall as "robbery without any palliating circumstances." Further, he cities, the British violated the agreement with the Chinese concerning the territory; "we had promised to allow Chinese officials to continue to govern Kowloon City. In 1899 we turned them out."

In regard to the sanctity of treaties generally, which so greatly agitates the minds (?) of most Old China Hands, Mr. Lyall contributes an illuminating paragraph.

"The Customs clauses," he cites, "in the first British treaties with China were copied by other countries when they concluded theirs. The regulations were fixed in sailing-vessel days, and they are totally unfitted for present conditions. By Article 41 of the treaty of Tientsin, all dues and duties payable on the cargo carried by the vessel must be paid by the ship before she leaves port. To pass the import cargo of a large vessel through the Customs, and pay duty on it, cannot be done in less than three weeks. If the ship were detained for this length of time, trade would be brought to a standstill. When merchants demand that our treaties with China shall be rigeorously enforced, they forget this side of the question. If the Customs clauses of the Treaties were carried out to the letter every British steamer would have to leave China. And there are other clauses too in our treaties that, if strictly interpreted, would be a hindrance to business. These out-of-date provisions in our treaties are a very strong weapon in the hands of the Chinese. If used by them to the best advantage they may well prove sufficient to secure the abolition of extraterritoriality."

Other foreign nations as well as Great Britian come under Mr. Lyall's fire. Of foreign support given Yuan Shih-kai, he says that "the Reorganization Loan made civil war inevitable, and, by the support it gave to the military elements in China, it was in great part responsible for the interminable civil wars that have gone on ever since." British support of the Loan is described as "the worst and least pardonable of the many mistakes that the British Government has committed in dealing with young China."

Mr. Lyall lays down one fundamental axiom of almost all foreigners in relations with the Chinese: "In all dealings with the Chinese there is one measure for Chinese offenses, and quite another measure for the offenses of the foreigner. When a Japanese officer (Captain Nakamura) is murdered by Chinese soldiers in a half-wild district, this in an unpardonable outrage; when a hundred Chinese are murdered by Koreans in a well-policed country, it is merely a regrettable incident."

An interesting view which, however, the reviewer does not fully endorse, is given of the Sino-Japanese warfare in Shanghai. "The (Shanghai) Municipal Council," declares Mr. Lyall, "had no authority to give orders to foreign troops; but it knew, almost for certain, that, if it declared that a state of emergency existed, Japanese troops would advance into Chapei and fighting would result, and that if it did not do so they would not advance . . . . The Japanese marines, when they invaded Chapei, were acting in compliance with the expressed wishes of the Municipal Council and of the Defence Committee."

The last sentence is probably wholly correct, but it is the reviewer's opinion that the Japanese were determined to capture Chapei regardless of any action by either the S.M.C. or the Chinese authorities.

It must not be assumed from the quotations given that Mr. Lyall is uncritically pro-Chinese in his volume. In dealing with the Opium War, he points out quite correctly that Great Britain did have many just complaints against China as then represented by the decadent Manchu Dynasty. He later points out that Emperor Hsien-feng embarked on a war with England and France rather than agree to residence of a British minister in Peking while in the very same year he "ratified without demur . . . and under no threats of war or other compulsion, the treaty of Aigun by which he ceded to Russia all the land between the Ussuri and the sea (which includes Vladivostok)."

Coming down to the present day, he deals quite sympathetically with the so-called Communists in Kiangsi and elsewhere who are seeking redistribution of the land.

"Chiang Kai-shek, not content with becoming a millionaire," says Mr. Lyall, "was fast becoming a multi-millionaire (in the period immediately after 1927), and was consequently indentifying himself more and more with the aims of the moneyed classes. He headed several campaigns against the recalcitrant peasantry and proclaimed many victories over them, but when his soldiers were withdrawn the situation appeared to remain very much as before."

Despite the general excellence of Mr. Lyall's book, there are some glaring errors. In his discussion of Chinese civilization prior to the western invasion, he sees it entirely too much as envisioned by Mencius and Confucius. Actually it can no more be judged by the sayings of these sages than Western civilization can by judged by the Sermon on the Mount. Further, it is ridiculous to say, as Mr. Lyall does, that "there is next to no class distinction in China;" in few other lands are class lines as sharply drawn although there is little that resembles Hindu caste barriers.

Further, there is no warrant for stating that "it is almost certain" the Nanking incident of 1927 was "deliberately planned by the Communists." And there is perhaps even less warrant for asserting that "with the possible exception of Russia, the European Powers appear to have abandoned for good all thought of annexing Chinese territory." How about the British in Kashgar and the French in

Yunnan? And what evidence can be offered to indicate any Soviet designs on Chinese territory? Considering that Mr. Lyall displays no pronounced anti-Soviet, or anti-Communist, bias in his book, these mis-statements are almost incredible.

Orient and Occident is a brief and very general discussion of relations between East and West by a scholar of the *World Unity* school. One of his conclusions, the correctness of which can only be revealed by time, is that "although military superiority lies with Japan today, the population figures bespeak a future belonging to China." Another conclusion is that the Occident and Orient are becoming adjusted to each other, and that in consequence "the League of Nations, chiefly an alliance of European and American states heretofore, will become more and more—owing to the growing self-dependence of India and the inclusion of modern Oriental states, like Turkey, Persia, Egypt and Iraq—an image of the growing brotherhood of all peoples.

May be so, but this reviewer can see no justification for such optimism. After all, Egypt and Iraq are only British puppets; India is as much under the British iron heel as it ever was; and there is no apparent evidence of growing brotherhood in Franco-German, Soviet-Japanese, British-Soviet, American-Japanese, or Sino-Japanese relations. In the last named, of course, there is increasing intimacy,—but of the kind best illustrated by a boa constrictor hugging a calf.

W. B.

A Lurid Tale of Shanghai as It Is Imagined to Be

The Shanghai Bund Murders, by Van Wyck Mason; For the Crime Club, Inc., by Doubleday, Doran and Company, Inc., Garden City, New York, 1933. 298 *pages.*

This book, in a yellow binding with red Chinese characters for "Shanghai" stamped on its cover, and with a jacket bearing a photo of our famous Bund, has all the details of carefully prepared modern detective tales. We are introduced to the well-known Captain Hugh North, "that curt, tight-lipped hunter of crime in every country of the globe." There is a list of the characters of the book. We are given a catchword, which in the end proves to have faint significance. There are numerous Chinese names and phrases elucidated in foot-notes. In one such note we learn that 'foreigner' and 'devil' are practically synonymous in the Chinese language. Hence usage has robbed the term of opprobrium."

On the first page we discover that river steamers near Shanghai are in danger of being "gobbled by a tuchun" almost any time. No wonder our Western tourists keep to Nanking Road curio, linen and silk shops and speak of Soochow and Hangchow as "the interior of China." But these details are only by the way. There is a famous Austrian adventuress, a soldier of fortune, a French merchant, various police, naval and consular officers: these are all in the foreground. The author has several Chinese officials busy pulling wires in the background. Everything is set for murder, capture, death, and thrilling escape. We get them all, including a few choice paragraphs such as this describing a garden very near the Bund where "the American tore his gaze from a bed of pastel-shaded oleanders and intently regarded a pergola almost smothered in flower-heavy jasmine. Beneath its fragrant shade two figures were seated, evidently in deep conversation. Who was the man? North wondered, making his way along a gravel path skirting a wide pool where a pair of stately egrets waded solemnly along among emerald-hued rushes, and probed among the lacy ferns and sweet grasses forming its edge. . . . Shaken again by a nagging premonition, he looked carefully about, but the egrets still drew silvery circles on the pond with their wading, and the bees droned back and forth undisturbed. High overhead, flute pigeons wrought serial symphonies."

The worst is met in a torture chamber of the arch-villains where a swinging knife, seemingly borrowed from a tale by Poe, helps on the horrors of a secret prison room adjacent to the Bund. Perhaps you will think this has Shanghai atmosphere; perhaps you will not. Certainly it tells nothing attractive about our city save the gardens it describes. But if it was not meant to provide attractions it *has* thrills. We wonder what some of our Chinese friends who read English books think of this type of tale of the Chinese coast.

March 24, 1934. G. B. S.

National Child Welfare Association Reviews Year's Work

The fifth annual report of the National Child Welfare Association of China for 1933 has been published in pamphlet form. Dr. H. H. Kung, is president of this worthy institution, whose headquarters are at 20 Mustum Road, Shanghai. One of the outstanding features of the year's work was during the invasion of Jehol. A Committee for the Relief of War Stricken Orphans was organized, and T. S. Chen, associate general secretary, was sent to North China to supervise the work. He established refugee camps and with the aid of local organizations, distributed money, food and clothing and medical supplies valued at more than $300,000, giving relief to more than 157,000 women and children. Relief work among child prostitutes in Shanghai has also been engaged in. The report notes that these young people are being pressed into this living hell by economic necessity, the want of food and clothing and, perhaps, the whip of the mistress.

The Effective Way To Treat Anaemia.

Pale cheeks, feeble appetite, insomnia, premature ageing, rheumatism, pains in the back and limbs, perpetual tiredness, spells of dizziness, depression, these are the signs of anaemia from which malady so many men and women suffer.

To restore health and strength to the enfeebled frame, the blood which has become thin and watery must be built up, for the blood is the source of all strength and vitality. The best and surest way to do this is by means of a reliable tonic capable of creating new, rich, red blood of which there is none better than DR. WILLIAMS' PINK PILLS, renowned for over fifty years as an ideal blood builder and nerve tonic.

The experience of Mrs. Ina Cullen of Kurrajong Heights. N. S. W., Australia, is but one instance of the efficacy of Dr. Williams' Pink Pills in the treatment of anaemia. Mrs. Cullen writes:—

"I think I suffered every pain imaginable, and it was all through becoming anaemic. I always had a tendency towards bloodlessness, and at times I was confined to bed, I was so weak and ill. To add to my troubles, I developed rheumatism so badly in my back and limbs that I could only sit up for ten minutes at a time. The weakness and pains made life scarcely worth living. At last I decided to try Dr. Williams' Pink Pills, and it is really wonderful what they have done for me. I am now up again, strong and well. The rheumatism has gone and I have lost the dreadful weakness. I can do my own housework and play tennis again. Dr. Williams' Pink Pills deserve every praise."

Anaemic, tired out women and girls will find in Dr. Williams' Pink Pills, the ideal remedy, since they are specifically designed to build up the blood, creating new, rich, red blood, which every woman and girl needs in abundance. Begin a course of these world famous tonic pills today. They are equally good for men as for women. All chemists supply them.

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Third Finance Conference to Meet in Nanking May 21

The third National Finance Conference will open in Nanking on May 21. Dr. H. H. Kung, Minister of Finance, has returned from his recent tour, and will preside at the conference. The first national finance conference was convened in 1927 in Nanking by the late Ku Ying-feng, who was then Minister of Finance. At that time only five provinces were represented at the conference and nothing of any importance was achieved, as northern China was still in the hands of the northern militarists. The second conference was called in 1928 by T. V. Soong. Most of the provinces sent delegates to the meeting. Two decisions of far reaching importance were made at said conference, namely, (1) abolition of likin, and (2) unification of the nation's finances.

All the provinces of China will be represented at the forthcoming Conference—except, of course, the four north-eastern provinces (Fengtien, Kirin, Heilungkiang and Jehol—which are controlled by the Japanese Kwantung army. The main items on the conference agenda will be:—Reorganization of the country's land taxes and abolition of illegal taxes and surcharges.

By an order of the Kiangsi Provincial Government, all District Governments in Kiangsi must bring about the complete abolition of the exorbitant miscellaneous taxes in the province within four months. These levies include 12 kinds of salt tax (yielding a total of $420,000 annually), 44 kinds of exorbitant levies (yielding $320,000 annually), and 66 kinds of miscellaneous taxes ($520,000 annually).

A telegram urging the immediate abolition of the boat tax so as to lessen the burden of the boatmen, has been received by the Fukien Provincial Department of Finance from General Chiang Kai-shek. The levy was imposed by the 19th Route Army when it was stationed in the province last year.

$2,500,000 For Development of Northwest

The National Economic Council intends to allocate $2,500,000 for the development of the North-western provinces. It is estimated that $1,300,000 will be necessary for the completion of Kingwei Canal and other irrigation projects, $400,000 for the establishment of rural co-operatives, and the rest for the prevention of stock diseases, the establishment of experimental veterinary stations and improvement of cattle breed.

Cotton Improvement Bureau to Be Established in Hunan

The Cotton Control Committee of the National Economic Council has decided to establish a Cotton Improvement Bureau in Changsha, provincial capital of Hunan. Cotton is grown abundantly in the districts along the shores of the Tungting Lake, on the Hupeh-Hunan border.

The Shanghai *Shun Pao* comments:—"Since the outbreak of the Manchurian incident, the Chinese textile industry has lost its market in the four north-eastern provinces. The unsettled situation in North China and in the interior further enhances its difficulties. According to customs statistics, the import of textiles into China constitutes about ten per cent of the entire import trade. This indicates the seriousness of foreign competition in the textile trade, but against this China has been unable to apply the weapon of a protective tariff. Such being the present circumstances, it is all the more necessary for us to take immediate measures, now that the Japanese are planning further to encroach upon the Chinese market. Revision of the present tariff policy and adoption of the quota system are good remedies for the present critical situation in the textile industry. What is perhaps more important is to concentrate all our national resources to combat foreign competition and to make a last stand for our national interests."

Commercial Bank to Be Established in Northern Kiangsu

In view of the general economic depression and financial stringency in Northern Kiangsu, Wang Po-ling, foremerly member of the Kiangsu Provincial Government and now member of the Central Executive Committee, is promoting the organization of a Northern Kiangsu Commercial Bank for the purpose of affording relief to merchants, factory interests and farmers.

The Kiangsu Provincial Government is mapping out plans for the establishment of a large scale glass factory at Suchien in Northern Kiangsu.

Shanghai Bankers Interest Themselves in Kwangsi Development

Chinese bankers in Shanghai are taking an increasing interest in the agricultural and industrial development of Kwangsi Province following a tour to that province made by Chin Kuo-pao, manager of the Bank of Communications. Mr. Chin went to Kwangsi together with Huang Hsu-chu, chairman of the Kwangsi Provincial Government, when the latter was in Shanghai following attendance at the Fourth Plenary Session of the Kuomintang Central Executive Committee in Nanking. Mr. Chin, after conferring with other interested bankers in Shanghai on plans for investment in various industrial enterprises in Kwangsi Province, signed an agreement with representatives of Chinese Banks for a short-term loan of $1,500,000 at 9 per cent interest. The loan, secured on receipts of the business tax in Kiangsu, will be redeemed by twelve monthly instalments, the first of which will be paid in July.

Soochow Creek to Be Dredged at Cost of $2,000,000

In view of the unnavigable state of the Soochow Creek between Shanghai and Soochow, due to accumulation of sand deposits, the Ministry of Interior and Ministry of Communications have decided to take joint measures for the dredging of the river in order to facilitate water traffic between the two important cities. The total cost of the dredging of the Creek will be $2,140,000. The money will be obtained from the National Economic Council on the security of the Farm Tax and contributions from the various water conservancy organs. The entire engineering work is to be completed in six years.

The survey party jointly organized by the National Economic Council and the Ministry of Interior for the inspection of the waterways in Hupeh has been transferred to the exclusive jurisdiction of the National Economic Council.

The Reconstruction Department of the Fukien Provincial Government is now making preparations for the establishment of a waterworks at Foochow.

Tourist Facilities at Mokanshan to Be Improved

The Ministry of Railways is giving attention to the provision of more adequate facilities for tourists to Mokanshan, the summer resort near Hangchow.

Survey work on the two possible routes for a branch line of the Tientsin-Pukow Railway connecting Pengpu, along the railway, with Chengyang, in western Anhwei, has been completed.

Through transportation by land and water between the China Merchants Steam Navigation Company and the Peiping-Hankow, Tientsin-Pukow, Peiping-Liaoning and the Peiping-Suiyuan Railways will be simultaneously inaugurated on June 1. Wharves, warehouses and other through traffic facilites at Hankow and Pukow, respectively centers for the through arrangements along the Peiping-Hankow and the Tientsin-Pukow Railways, have been completed.

In order to push forward its plans for better communication facilities in Hopei, the Ministry of Railways has ordered the Engineering Bureau of the Tientsin-Pukow Railway Administration to conduct another survery of the projected branch line between Tsangchow, along the Railway, and Shihchiachwang, in western Hopei.

The Ministry of Railways has decided to construct 12 new stations on the line. The stations will be used solely for the regulation of trains.

The period for enforcement of the reduced railway freight rates on coal having expired, the Ministry of Railways has authorized an extension of the period for another three months in order to assist the native coal industry.

Yu Yen, Director of the Business Department of the Ministry of Railways, proceeded Peiping by train end of last week to take charge of the third railway products exhibition, which is scheduled to open there May 20.

The Shantung Provincial Department of Reconstruction is mapping out plans for the improvement of navigation facilities on the Grand Canal between the northern and southern parts of the province.

Kansu Highway to Be Constructed

Work on the construction of the Sian-Lanchow (Kansu) Highway is to be started immediately. A group of engineers, superintendents and a special engineering corps has set out from the provincial capital to begin operations.

A telegram urging the remittance of adequate funds for the completion of the inter-provincial highways linking up Kwangtung with Kiangsi and Fukien so as to facilitate the early liquidation of banditry in the southern part of the country, has been received by the National Economic Council from General Chen Chi-tang, Commander-in-Chief of the southern Route Bandit-Suppression Forces.

The Ministry of Communications has dispatched a representative and several engineers to Foochow to complete preliminary preparations for the installation of the Foochow-Yenping and Foochow-Changchow long distance telephone lines.

Up to the present, a total number of 1,600 persons of the Northeastern war refugees have registered themselves for colonization in Suiyuan to reclaim the waste land there.

Two new radio stations in the Northwest, one at Kalgan and the other at Kweihua, respectively provincial capital of Chahar and Suiyuan, have been inaugurated and are now in full operation.

An All-Chekiang Cultural Exposition was formally opened in Hangchow May 9 under the joint auspices of the Chekiang Provincial Government and the Provincial Party Headquarters. Lo Hsia-tien, Chairman of the Exhibition, in an inaugural speech, emphasized the importance of the exhibition for the cultural development of the province.

The third national conference for the inspection and testing of commercial commodities was formally opened in Nanking, May 7 under the auspices of the Ministry of Industry.

Hunan Reports Flourishing Tea Season

Hunan province reports a flourishing tea season this year. Up to date, one million dollars' worth of tea has been exported.

Public drawing for the redemption of part of the principal of the 20th Year (1931) Relief Loan (9th Drawing) was held May 10 at the Shanghai Chinese Bankers' Association. The terminal number of the bonds drawn was 08. Payment will be made as usual through the Central Bank of China, Bank of China or Bank of Communications throughout the country as from May 31.

A horse-carriage parade to promote the use of native goods was held in Nanking May 14 under the auspices of the Native Goods Exhibition Hall of the Ministry of Industry. The decision to employ carriages instead of automobiles was actuated by the desire to make it a purely domestic affair.

The Sericulture Improvement Committee of the National Economic Council has fixed its budget at $750,000 as expenses for carrying out its plans.

The first shipment of Canadian creosote railway ties to come to China was sent to Hankow last week for use on the Canton-Hankow railway. The ties are to be paid for from money raised upon the security of the Boxer Indemnity Funds.

A telegram petitioning for the revision of the import tariff on Japanese matchwood, abolition of the export duty on native matches, and the enforcement of a dumping tax on Japanese goods was sent to the Ministry of Finance from the Shanghai Native Goods Manufacturers' Association last week.

U. S. Fleet to Return to Pacific in December

The United States fleet, which is now in the Atlantic waters, will return in full to the San Diego-San Pedro zone in December next. Various detached units will be re-despatched to the Pacific during the summer and autumn, but the grand fleet is scheduled arrive back in the Pacific zone on December 1 and 2.

Twenty-one Marine Corps planes arrived at Port-au-Prince May 5 in mass formation from their base at Guantanamo, Cuba, enroute to joining the fleet maneuvers in the Carribbean.

A recent Washington message stated that President Roosevelt favors legislation authorizing Reconstruction Finance Corporation loans directly to industry.

Extensive droughts throughout the United States, the worst in 40 years, will probably cause the wheat crop to be only about half normal and may cause the corn (maize) crop, now being planted, to fail. Adequate and prompt rainfall may improve the prospects, Secretary of Agriculture Wallace announced.

Rear Admiral Luke McNamee, U. S. N., who will retire July 1, has been appointed President of the Mackay Radio Company, succeeding Clarence Mackay, who was elevated to the post of Chairman of the Board of Directors.

President Roosevelt to Transmit War Debt Message

President Roosevelt expects to transmit a war debt message to Congress within a few days. It is predicted in Washington that he will not seek authority to revise or reduce debts.

Mere token payments from debtor nations to the United States constitute default within the meaning of the Johnson Bill prohibiting loans to defaulting debtor nations, according to a decision by the U. S. Department of State, which, however, ruled that token payments would nevertheless be accepted.

America has informed the debtor nations that she will accept token payments. America is also willing to enter into discussions with individual nations in regard to the revision of their war debts, but will refuse to join a general debt conference.

A strike of 15,000 longshoremen employed on docks along the Pacific Coast from Canada to Mexico, resulted in clashes between strikers, non-union workers, ship guards and policemen in a number of ports May 12. In Galveston, Texas, one longshoreman was killed and another wounded. Three steamer guards were charged with murder. The strike has spread to meat packing plants in St. Louis and Des Moines.

Samuel Insull, extradited multimillionaire, was last week arraigned in Chicago on two counts, and held on bail totalling $250,000—which was eventually raised, mostly by his son. A California group has announced that it will start a campaign to raise funds to pay for his defense, in view of the fact that the Government is unable to get hold of Dillinger, "No. 1 public enemy," whom the Californians consider a greater menace to the country than Insull ever was.

Asiatic Labor Congress Meets in Colombo

A solid front among the workers of all Oriental countries was the keynote of the Asiatic Labor Congress inaugurated in Colombo (island of Ceylon) May 10. Practically all Eastern countries were represented, including Japan, India and Ceylon. The most important address of the day was delivered by A. Aisawa, one of the Japanese delegates, who asserted that the Asiatic workers as a whole are the most exploited class in the world and urged that they should all unite in an effort to ameliorate their conditions. He described the Congress as the realization of a purpose for which labor elements in Japan have worked during the past ten years. At the conclusion of the session all the delegates stood up and sang the Red Flag.

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Aerial Defence Class to Be Opened in Nanking

The Ministry of Interior is arranging for the opening of a class in Nanking for the study of aerial defence. Orders have been issued by the Ministry to the various provincial and Municipal Governments, instructing them to send police officers to the capital for training.

An Athletic Club has been organized by the rank and file of the Government Air forces in Kiangsi now participating in the campaign against the "Reds." General Chiang Kai-shek has been invited to serve as Honorary President, with Generals Hsu Pei-keng and Chen Ching-yun, respectively Director and Vice-Director of the Aviation Administration, as President and Vice-President of the Club.

Junkers Works Denies Contract with Yunnan Province

A categorical denial was issued in Dessau (Germany) May 11 by the Junkers Airplane Works of reports declaring that a contract had been signed between the government of the province of Yunnan and the Junkers Works for the erection of an airplane factory, the laying out of a landing field and the establishment of a pilot school in China.

Commander Hawks Flys Giant Condor Back to Shanghai

Commander Frank M. Hawks landed his giant Curtiss Condor at 6:45 p.m. at Hungjao Airdrome May 12, after an absence of two weeks. Commander Hawks left Hankow at 3.15 p.m. accompanied by Mrs. H. H. Kung, Jabin Hsu, head of the general affairs department of the Ministry of Finance, William D. Pawley, Curtiss-Wright representative in China, Harry S. Goers, Curtiss-Wright factory expert, and several others for Nanking. Landing at the capital at 3 o'clock, the party was joined by the children of Mr. and Mrs. Kung and continued on to Shanghai. He latrer proceeded to Hangchow. Commander Hawks spent several days last week at Nanchang.

Japanese Army Seeks Stronger Flying Force

The *Osaka Asahi* says greater attention is being directed by the military authorities to the extension of the air forces. The army wished to secure a Supplementary Budget for this purpose in the last session of the Diet, but for financial reasons its scheme was not accepted by the Finance Department. In the next and later fiscal years, however, the military authorities intend to make special endeavors to strengthen the air force, for it is alleged, not only is the Japanese air force far inferior to that of other great powers, but it is contended that in civilian aviation also, Japan is very backward, compared with other powers. The *Miyako* says that the Kwanto Air Defence Committee, which was organized soon after the air defence maneuvers in the Kwanto district in August last year to study plans to defend the capital from possible air raids, has elaborated its plans so that the present Tokyo Garrison headquarters should be reorganized and enlarged into the Capital Defence headquarters, which are charged with the duty not only of defending Tokyo, but of directing all air defence corps and organizations in the Kwanto district. The cost of building the new offices is estimated at Yen 1,000,000, the internal equipment expense at Yen 500,000 and the purchase of the site at Yen 500,000.

Aerial Developments in Manchuria

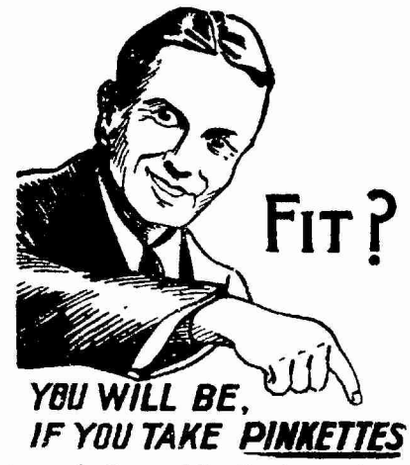
The Manchukuo Aviation Company, with its head in Mukden, has extended its business, and at present the company is running 13 different aerial routes with regular flights covering about 4,700 kilometres. This firm was established in 1932 with joint Manchukuo and Japanese capital. The President of the company is Jeng Yun; Vice-President, Mr. Kodama. Since its establishment, the planes belonging to this company are carrying passengers, mails and merchandise, while special flights are also undertaken by special request on the part of any official or private source.

Tokyo Plans Air Lines Linking Fukuoka and Singapore

Two air lines to the South Seas, running from Fukuoka city to Singapore, are be established soon by the Tokyo Communications Office. According to the authorities' plan, the present project of an air line between Taiwan and Japan proper will be extended. Making Fukuoka city the base, one air line will extend to Singapore, via Taihoku, Tainan, and the Philippines. A second air course between Fukuoka and Singapore will cover another route. A journey between the two cities and return will be possible in a week's time. The completed project will entail a cost of Yen 3,000,000.

According to reports in Peiping as a result of the visit of Japanese aviation officials to Korea and Manchuria last month, the Japanese Government has decided to increase the air forces of Korea.

The Kuomintang Central Executive Committee despatched a telegram May 10 to the Chou Yeh Primary School in Huchow, silk center in northern Chekiang, highly commending the self sacrificing spirit of the students. Purchasing a State Lottery ticket, with their candy money, the youngsters recently won a second prize in the 5th State Lottery and donated the entire sum ($100,000) to the National Government for the purchase of an airplane for national defence.



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The Eurasia Aviation Company with a view to restoring the Lanchow-Tihua line has sent a telegram to the Sinkiang authorities asking their opinion whether present circumstances permit the taking of such a step.

A plane attached to the Ominato (Japan) Naval Corps crashed into the sea May 1. The pilot escaped by a parachute and was picked up, while the other occupant received fatal injuries.

Hotel Surcharge to Be Used to Buy Airplanes

The Municipality of Greater Shanghai has replied to the China Aviation League saying that, as the result of discussions with officials of the International Settlement and the French Concession, they have agreed not to interfere in the collection of a surcharge that Chinese hotel owners have imposed on their patrons for the purpose of buying airplanes for the Government. The collection of this surcharge was interrupted for some time because of opposition from the Settlement and French authorities, and it is expected to be enforced once more now that their acquiesence has been obtained.

Dirigible Macon "Destroyed" During Maneuvers

The U. S. S. dirigible *Macon*, in addition to being theoretically "destroyed" by "enemy" planes in fleet manuvers last week, suffered actual damage during the voyage. The giant dirigible failed completely to prove its efficiency during maneuvers over the Caribbean Sea. It was ordered to return to its temporary base in Miami, Florida.

The U. S. War Department has requested bids for construction of 80 bombing planes and 30 attacking planes at an estimated cost of $750,000 dollars made available by the Public Works Administration. This is part of a three-year program under which it is understood that the Government will purchase a thousand planes of all types, 300 of which may be purchased in 1935.

At the invitation of the Canadian Government a flight of four Fury aircraft will take part in the centenary celebrations at Toronto in July.

The wreckage of the French air liner which left Le Bourget May 9, morning, for Croydon and which failed to arrive long after the fixed time, was found the same afternoon by searching airplanes eight miles off Dungeness. Six passengers were lost.

The daily air-service of the Deruluft lines Moscow-Berlin and Leningrad-Berlin, was opened on May 1. Airplanes leave Moscow and Leningrad daily at 9 a.m.

Stratosphere Exhibition to Be Held in Leningrad

A stratosphere exhibition, which will display gondolas of first Soviet stratosphere balloons, the scientific instruments, which were used for the study of the stratosphere, and also new devices, is to be opened shortly in Leningrad.

The Health Commiesariat of Azerbeidjan (Caucasus) is using airplanes for the transportation of 160,000 young gambusia fish, which will be placed in ponds and lakes for breeding. Gambusias devour the larvae of the malaria mosquito.

Complete Text of Dr. L. Rajchman's Report on League Co-operation with China

The report, dated April, 1934, of Dr. L. Rajchmann, liaison officer on technical co-operation between the League of Nations and China, was officially issued at Nanking and Geneva, May 10. The report will be published in serial form in the China Weekly Review. The following is the first installment.

INTRODUCTION

1.—The Chinese Government presented on June 28, 1933, a communication to the Council of the League in regard to the technical collaboration in the work of national reconstruction. This communication states:—

The Council will recall that at its session in May 1931 they have considered a telegram from the National Government of China, dated April 25, 1931, by which my Government indicated its decision to form a National Economic Council with the object of elaborating plans for national reconstruction and in which the collaboration of the Technical Organizations of the League was requested in the work of this Council.

The National Government at the same time outlined the principal measures which might be taken in order to give effect to such collaboration, namely:—

(1) First, in the stage of first planning and organization the League might be able to send someone, as it has already done in the special domain of health work, for such limited period as might be practicable and convenient to the Government in order to help with his advice both as to the plan itself and as to any subsequent methods by which the League could assist it.

(2) Secondly, in the execution of particular projects the League might at the request of the Government send or propose officers, representatives or experts who, apart from their own competence, could be in contact with the relevant technical organization in Geneva.

(3) Thirdly, in appropriate special cases a League Committee, whether a standing committee or one appointed **ad hoc**, might at the request of the Government help to frame or improve some particular scheme.

(4) Fourthly, the League might, in several ways, help in the training of China's own officers who will be required for the more extended work of later years. In the domain of health the League has already been able to arrange for technical education in practical work in other countries, sometimes with the aid of Fellowships.

(5) And in addition the League might help the Government to find advisers to assist development of the Chinese educational system and facilitate the intercourse between the centres of intellectual activity in China and abroad.

At its meeting on May 19, 1931, the Council adopted these proposals of my Government and at the same time approved the suggestions of the Secretary-General regarding the methods of carrying out this collaboration. The Council decided in particular in regard to the first point of my Government's proposals that

The officer whose services are requested for such limited period as might be practicable and as might be convenient to the Government should be competent to give information on the working of the League's Technical Organizations and the manner in which they might be utilized by the Chinese Government. For this purpose the Secretary-General considers that one of the Directors of the Technical Organizations should be authorized to pay a further visit to China;

and in regard to points (2), (3) and (4) the following:—

Proposals for collaboration would be transmitted by the Secretary-General to the competent Technical Organizations for action, subject to the approval of the Council as required by the rules of procedure.

During the two years that have elapsed since this Council decision, my Government has had the advantage of the collaboration of a certain number of experts from the League's Technical Organizations, whose work has been greatly appreciated. The Secretary-General has also been good enough at our request to recommend candidates for appointment to high posts in the Government service, and finally the Government has been able to rely on the assistance as liaison agents of the League's Technical Organizations of two principal officers of the Secretariat who have rendered eminent services in this capacity during the few months of their activities in China, for which the Government desires to take this opportunity of thanking the Secretary-General and the Council.

I have the honour to inform the Council that, the preliminary work of survey having been made, the National Government, in view of the resources at its disposal, has decided as a beginning to carry into practice its national reconstruction work in a few provinces which will serve as models for the rest of the country.

It is clear that this work demands continued effort on the part of all who take part in it, as well as constant co-ordination of all the activities involved. The National Government would highly value measures which the Council might take in the present circumstances in order to ensures this continuous collaboration from the League with the National Government in its work of reconstruction, and, in particular, by the nomination for this purpose of a technical officer to be accredited to the National Government and its National Economic Council.

I should therefore be very grateful if the Council could presently examine the question which I have the honour to place before it on behalf of my Government, in order that its decision may be acted upon with as little delay as possible.

2.—At its meeting of June 30, 1933, the Council decided to appoint a special committee to examine the action to be taken on the above communication of the Chinese Government. The Committee met in Paris on July 18, 1933, and the resolution which it adopted was approved by the Council on July 18, 1933. The Resolution stated:—

The appointment of the technical agent requested by the Chinese Government is of a purely technical and entirely non-political character. In view of this fundamental principle, it is understood that the technical agent shall act as a technical liaison officer with the National Economic Council of China for the purpose of technical co-operation with the competent organs of the League of Nations.

He shall hold office for one year. His salary and his travelling and subsistence expenses shall be defrayed by the Chinese Government.

The duties of the technical agent shall be:

(1) To supply information on the working of the technical organizations of the League and on the manner in which these organizations may be utilized for the purpose of co-operation in the reconstruction of China.

(2) To transmit to the Secretary-General of the League of Nations, for submission to the competent organization or organizations, any request for technical co-operation which he may receive from the Chinese Government.

(3) To afford the Chinese Government such assistance as it may desire with a view to securing the co-operation of such experts as that Government might wish to engage for a technical service connected with the work of reconstruction; and

(4) To assist the National Economic Council in co-ordinating on the spot the activities of the experts of the League's Technical Organizations.

The technical agent shall forward to the Council frequent statements regarding his work and a detailed report at least once every three months. This report shall also be communicated by the Secretary-General to such technical organizations of the League as have been called upon to co-operate at the Chinese Government's request.

The technical agent shall apply to the Secretary-General of the League with a view to securing the assistance of the technical sections and organizations in any inquiries he may have to carry out in the discharge of his duties as defined above.

It is understood that whenever the technical agent forwards statements and reports on his work to the League, copies thereof shall be sent at the same time to the National Economic Council of China.

The Committee of the Council appoints Dr. Rajchman, Director of the Health Section of the Secretariat, to act as technical delegate with the duties defined above.

In notifying the Council of its decisions, the Committee of the Council desires to state that it will in future remain at the Council's disposal for the purpose of

(1) Considering any questions relating to the League's technical co-operation in the reconstruction of China that may be laid before the Council by the Chinese Government.

(2) Examining the statements and reports received from the technical agent and discussing all questions relating to the discharge of his duties which the Committee may deem it desirable to consider.

3.—In execution of the mandate entrusted to me, and in conformity with the arrangement concluded with the Chinese Government, I arrived in China on October 3, 1933.

4.—On October 4 the Chinese National Government installed in office the Standing Committee of the National Economic Council, composed of the Prime Minister, Mr. Wang Ching-Wei; the President of the Legislative Yuan, Dr. Sun Fo; and the Minister of Finance, Dr. T. V. Soong; and on the some day defined the extent of the powers of this Committee.

5.—Following the resignation of Dr. T. V. Soong as Minister of Finance, the Standing Committee on December 8, 1933, was enlarged from three to five members by the addition of the new Minister of Finance, Dr. H. H. Kung, and the Chairman of the Military Affairs Commission, General Chiang Kai-shek.

6.—The Standing Committee proceeded to a detailed study of the activities to be undertaken and financed during the year 1934, in addition to the work begun in 1931, which continued and developed without interruption.

7.—On the completion of the preliminary study, a programme of collaboration with the League technical organization was discussed with me, and I communicated it to the Secretary-General on December 30, 1933.

In this communication, before outlining the proposals of the National Economic Council, I suggested that it should be a general principle to select as few technical experts as possible for service in China, and that these should either have had extensive experience in work in many countries, or else should be prepared to remain for a considerable time in China in order to become acquainted with local conditions. I indicated at the same time that the collaboration of the Health, Transit and Economic Organizations of the League with the Chinese Government was being prolonged in 1934, and that the two officers who were advising on the reconstruction of the Civil Service were continuing their studies.

The main proposals of the National Economic Council for 1934 were for the improvement in communications, for water conservancy schemes, and for the comprehensive reconstruction of certain rural areas.

It was felt that the programme of road construction had reached a point where consultation with engineers who had experience in countries with conditions similar to those of China would be of undoubted value, particularly on the following problems:

(1) The best type of roads adapted to selected areas.
(2) The methods of operating roads.
(3) The available local fuel supplies.
(4) The most suitable types of vehicles and engines.

The Transit and Communications Organization was therefore requested to make suitable arrangements for expert consultation in China. As regards water conservancy, the services of an experienced hydraulic engineer were requested, particularly with considerable international experience, to advise upon the general conduct of water conservancy policy.

I made the suggestion that the consultation asked for should be limited to not more than three outstanding specialists, who should be accompanied by the Director of the Transit and Communications Organisation when in China.

The Ministry of Education requested the League to send an authority on education to discuss the practical application of the proposals made by the Education Commission despatched to China two years ago by the Institute of Intellectual Co-operation, and of the Chinese group which paid a return visit to Europe in 1932. The Ministry desired the League, in making its selection, to choose a person who would be prepared to act as a permanent liaison officer in Europe between China and the Institute of Intellectual Co-operation. The duties of this officer would be to prepare technical studies for Chinese educational authorities visiting Europe; to seek out experts at the request of the Chinese Government for advising on particular educational reforms in China; and in particular to guide the studies abroad of Chinese students. The Council suggested that someone should be selected who had had experience in adapting educational policy to a general comprehensive policy of industrial reconstruction.

The National Economic Council laid great value on the agricultural survey made by Professor Dragoni in the winter of 1932-1933, and was anxious that he should pay an early visit. If Professor Dragoni was unable to accept such an invitation, the Council asked for a list of names to be submitted of authorities who had had experience of the application of land reform in rural countries in Europe since the war from which it might select another outstanding specialist. It was requested that on the list there should also be included persons who had had experience in the activities and methods of economic councils in other countries, especially in Europe, U.S.A., and U.S.S.R. An inquiry was made regarding the possibility of Professor Parejas, who had spent two years at the central University at Nanking on the designation of the League, for service with the National Geological Survey.

Finally, I reported that Signor Mari, who had been placed by the League Economic Committee, following a request by the Chinese Government, at their disposal since 1932 for the improvement of sericulture, had joined from January 1, 1934, the foreign staff of the National Economic Council, and that the nomination of a sericulturist with French experience was requested for a like service, it being understood that in both cases the League would bear a small part of the salaries.

8.—As the consideration of plans of application was still in progress when the Council Committee on Technical Co-operation between the League of Nations and China met on January 10, 1934, I asked leave of the Council to present a considered report at a later date, and had the honour to submit a preliminary statement on progress on January 4, 1934. This communication stated:—

> The Council's decision to strengthen technical collaboration with China was welcomed by all Government leaders and caused general satisfaction in the several important centres of the country. The Standing Committee of the National Economic Council is now composed of the Prime Minister, the Commander-in-Chief, the Finance Minister, and the President of the Legislative Yuan, with Dr. T. V. Soong as its leading member. The National Economic Council is receiving co-operation from responsible quarters in expectation of tangible results of its work. It is expected that arrangements will be made soon by which the work of the National Economic Council will be financed by proceeds of the American cotton and wheat loans. Plans for new reconstruction work are still under study, and meanwhile standing activities continue in the fields of road construction, hydraulic works, rural reconstruction, education, and public health. Proposals of collaboration in the above fields with the League of Nations have been forwarded by me, together with relevant comments, to the Secretary-General for consideration by the competent technical organizations and sections of the Secretariat. I beg to request, however, that the Council allow me to present a considered report at a later date, when, on the one hand, conclusions are available of the economic survey being carried out at present on behalf of the National Economic Council by foreign experts and Chinese technical officers, and, on the other hand, when a concrete plan has been effectively adopted by the National Government. Meanwhile communications will be, as in the past, regularly made to the Technical Organizations with regard to the several fields of continuous activity, the progress of which will be periodically reported to the Secretary-General.

9.—While the Technical Secretariat of the National Economic Council continued to carry out its work in the fields of health, road-building and partly of water conservancy as heretofore, local surveys, studies and investigations in relation to the new programme were being conducted by the Chinese and foreign members and visiting specialists. Messrs. Briand Clausen and Stampar were closely associated with this work, as will be shown in detail on the following pages.

10.—The programme for 1934 was finally adopted by the National Government and accepted by the plenary session of the National Economic Council on March 26, 1934.

11.—In the intervening period the Secretary of the Council Committee and I were exchanging frequent communications affecting details of the collaboration of the Technical Organizations of the League in regard to the several fields of continuous activities and the arrangements for 1934.

CHAPTER I.—HISTORY OF THE NATIONAL ECONOMIC COUNCIL

1.—The decision to set up a National Economic Council was taken by the National Government of the Republic of China in May 1931. At that time several months had elapsed since the end of major civil war, the flag of the National Government was flying in Central, Northern, and South-eastern China, as well as in the four North-eastern provinces. The effects of the world economic crisis were not yet felt in the country, and a period of peaceful development was generally expected. The early action on the decision of the League Council in regard to technical collaboration was requested from Nanking. The Educational Survey Group sent by the Institute of Intellectual Co-operation was on its way, and other technical agents were expected, when a flood of unprecedented magnitude occurred in the Yangtze Valley,* and the League, at the request of the Government, designated one of its most experienced field workers, who was appointed on arrival to act as Director-General of the National Flood Relief Commission.†

At the same time, in the autumn of 1931, in the chief industrial countries in the West the economic crisis had become more acute, as was strikingly illutrated by abandonment of the gold standard by Great Britain.

On September 18, 1931, the Japanese forces opened hostilities in Mukden, and the attention of the Government was suddenly diverted from the emergency work in the Yangtze Valley and the task of organizing a central machinery for economic development which was about to be begun.

2.—Notwithstanding this situation, the National Economic Council was inaugurated on November 15, 1931, in a plenary session, and the then Chairman of the National Government, General Chiang Kai-shek, thus described the purpose of the Council in the inaugural address which he delivered as Chairman of the Council:—

> The constitution of the National Economic Council clearly shows that it was the desire of the National Government to create an Advisory Council in which the principal Ministers of the Government have associated with them private persons from outside, selected not because of the position they hold, but because of their personal qualities and abilities, from amongst the leaders in the various forms of activities they perform. They are invited to help the Government in planning and executing an urgent development programme. The Council as a whole is thus an advisory board, but as far as the Ministerial members of the Council accept policies proposed they will be, as members of the Government, in a position to give immediate executive effect to them. The archives of all Ministries abound in schemes and proposals of all kinds. It will be the first task of the National Economic Council to translate into definite projects such of the schemes as will be selected as being the most urgent, to co-relate them with one another, to establish an order of priority, and in essence to elaborate as rapidly as possible a co-ordinated plan of development for a first period of three years beginning in 1932.....In this respect the Council will have the most responsible duties to perform. Article 3 of the Rules governing its organization provides explicitly that "All State projects for economic reconstruction or development for which the requisite funds are either borne or subsidized by the National Treasury must be first investigated and considered by the National Economic Council before submission to the National Government for approval.

*See quotation from the National Flood Relief Commission Report in Chapter IV.

†Sir John Hope Simpson, formerly of the Indian Civil Service.

8.—The hopes of an early systematic development of the Council's activities were disappointed when the extension of the hostilities in the North-eastern provinces and the continuation of the flood compelled the Government to devote its attention and resources elsewhere. Early in 1932 the Capital had to be transferred to Loyang, far in the interior, and all but the most necessary work of government had to be suspended. The exceptional circumstances and the resulting violent dislocation of trade and the fall of revenue imposed a servere burden upon national finances; and, in addition, the country began in 1932 to experience the full force of the world depression from which, for a variety of reasons, it had until then been protected.

Nevertheless, the National Economic Council made a beginning with its reconstructive activities, which in certain respects were in continuation of the work of the National Flood Relief Commission, and in particular in the field of water conservancy. Dykes were strengthened on the Yangtze and Yellow Rivers and on three of the most troublesome rivers in Central China—the Han, Kan, and Hwai; assistance was also given to conservancy work along the seashore of Northern Kiangsu.

In the field of road development and communications the Council carried through two schemes for road-building: the first in Kiangsu, Chekiang and Anhwei provinces at the eastern end of the Yangtze Valley and under the immediate control of the Central Government; and the second by the extension of the programme of the first to the four other province of the Yangtze Valley—Hupeh, Kiangsi. Hunan and Honan. The schemes were based on grants of advances to the provincial governments of about 40% of the cost of construction of selected roads out of a Road Development Fund under the auspices of the Council. This policy, continued in 1933, resulted in some 13,000 kilometres of highway being completed by the end of the year.

The Council had taken over and made its own the Three-Year Plan for the development of the Health Services conceived as an instrument of rural reconstruction, and, under its auspices particularly, the comprehensive scheme of establishing central guiding technical institutions in Nanking and organizing areas of field application was completed. A Central Hospital and Central Field Health Station were established, and have not only undertaken the guidance of medical and public health activities, but also, in response to increasing requests from provincial and municipal governments, have engaged in co-ordinating local health work.

The Council made surveys of the general situation of agriculture, special detailed studies of sericulture and of social conditions in certain provinces.

In the field of education it assisted the National Ministry of Education in a number of comprehensive studies at home and abroad.

4.—The work of the first two years continued in the atmosphere of the deepening economic depression and uncertainty caused by severe fighting in isolated parts of the country with the Japanese troops, at first in the Central and then again in the North of China, and with the Communist insurgents in South-West-Central China. During this period the League Technical Organizations continued their active co-operation.

Dr. B. Borcic, Director of the School of Hygiene at Zagreb, who was acting since July 1930 as representative of the League's Health Organization, was associated with the medical and sanitary emergency work necessitated by these various calamities.

In October 1931 there arrived a Commission of educational authorities, consisting of the late Dr. Carl Becker, formerly Prussian Minister of Education; M. P. Langevin, Professor at the College de France; Mr. M. Falski, formerly Director of the Polish Ministry of Education; and Mr. R. H. Tawney, of London University. This Commission was despatched by the International Institute of Intellectual Co-operation, and was accompanied by M. Bonnet, Director of the Institute, and Mr. Walters, representing the Secretary-General of the League. The Commission studied the educational system in China, and in its report, which was presented in July 1932, it made certain proposals for changes.

At the beginning of November 1931 Professor Ciuca and Dr. T. F. Huang, members of the Health Section of the League Secretariat, were sent for periods of three and six months respectively for urgent preventive and medical work in connection with flood relief. Dr. Ciuca made in particular a survey of the malaria situation in the Yangtze Valley, and Dr. Huang was in charge of medical relief at Hankow. Late in November Dr. A. Stampar, member of the League's Health Committee, joined them in anti-epidemic work for a period of several months.

At the beginning of December, at the request of the Minister of Education and with the financial support of the League of Nations, three Professors—M. Parejas, Professor of Geology at the University of Geneva; Dr. Wissmann, of the University of Vienna; and Mr. Davy, Reader in English Literature at Nottingham University—were placed at the disposal of the National Central University at Nanking for the academic years 1931-1932 and 1932-1933.

In January 1932 two engineers representing the Transit and Communications Section of the League—Mr. Okecki, Ministerial Adviser to the Ministry of Public Works at Warsaw, and Mr. Bourdrez, a specialist on hydraulic questions—were also placed at the disposal of, and have since been closely collaborating with, the technical bureaux of the National Economic Council.

(To be continued)

San Pien Mission Replies to C. Y. W. Meng

Serious exception is taken by Frederick C. Dietz, M.M. of the Commission Synodalis in Peiping to statements by C. Y. W. Meng in an article in the *Review* April 7, entitled "Where Imperialism Penetrates Through the Church." Rev. Dietz writes to say that the land acquired by the Mission is situated entirely outside the Great Wall. The allegation that the Mission exercises "all administrative, political and judiciary powers" is declared to be a myth. It is averred by Rev. Dietz that the Mission exercises no powers other than those every landowner in China is entitled to exercise over his tenants and discharges no offices except such as every civilian has a right to discharge. The Mission, it is added, has never established tax offices, nor has it ever exacted any import or transit taxes. To state otherwise may be very effective in rousing antagonism to the Mission, but it is simply not true, Rev. Dietz says. Rev. Dietz's judgment on Mr. Meng's article is that it is very misleading.

Rev. Dietz writes: "Now for a bit of history that will be enlightening. Rain being very rare in that region, the Sanpien Mission constructed a large irrigation canal. In 1927, some jealous neighbors, encouraged by extremist students, obstructed the canal, thereby depriving the Mission and its tenants of the necessary water. On their behalf a representative of the Mission brought suit with the tribunal of first instance, that of Yulin, Shensi. After careful scrutiny of the documents, this court pronounced judgment under date of June 25, 1927, recognized the right of the Mission both to the ownership of the land and to water for its irrigation, and at the same time condemned the aggressors to pay the costs of the trial. The latter were disgruntled and appealed. Finally, the Supreme Court of Nanking, under date of November 25, 1930, and again on August 27, 1931, rejected the appeal and confirmed the previous sentence in the Mission's favor. The complete suppression of these facts, which are easily verifiable, on the part of the author of the report cannot but arouse suspicion. We now come to a point which invites reflection. It is this: Though nearly four years have passed since the highest judicial authority in the land officially recognized the rights of the Sanpien Mission, the latter has not been able to secure from the local government the execution of the sentence. This is due to the influence of a few local exremists who in refusing to respect the decision of the Supreme Court of the nation, give more evidence of being themselves imperialists rather than patriots. A patriot does not flout legitimate authority. Honest patriots will not insist on knowing better than their country's most able and respected jurists. The tenants of the Sanpien Mission continue to wait in hope. For the good name of the Chinese administration of justice they should not be disappointed."

Shensi to Take Over Cities Now in Possession of French Missionaries

A Sian despatch May 10 stated that the Shensi Provincial Party Headquarters has decided to take over the three cities of Tingpien, Anpienpu and Tsingpien, near the Great Wall along the Shensi-Suiyuan border, now occupied by French missionaries. The three cities were leased by the Shensi authorities to the French missionaries owing to default in payment of the Shensi quota of the Boxer Indemnity to the French Government. The period of lease (for 20 years) has now expired, but the French missionaries are alleged to have refused to vacate. Several attempts at negotiations have been made in the past without result. Details of the dispute were contained in an article by C. W. Y. Meng in the *Review* April 7 (page 213).

Comments on Tsingtao Passport Examinations by Lennox Simpson

Lennox Simpson, who was deported from Harbin a year ago by the Japanese (Manchukuo) authorities, and has since been residing at Dairen, has recently visited Tsingtao, whence he writes that special attention is being paid by the vigilant German head of the Foreign Department of the Police, and who has resided in Tsingtao for upwards of 30 years, that no Russian or other foreign criminals can find asylum in the town. An absurd state of affairs, Mr. Simpson says, exists regarding the examination of passports on arrival of foreigners by sea. All are required to give up their passports to some minor passport officer who comes on board each steamer and who hands out in exchange a receipt. The holder is forced to go to the Police Station for his document, and there questioned if necessary by the Foreign Dept. Inspector, and if enjoying extraterritorial rights is then told to go to his Consulate to get his passport back. Other nationals have to go to the Police Administration to obtain possession of their passports. The Japanese system of passport examination is better. The Japanese system provides for full examination and stamping of documents on board the vessel, and this is much better. Reform in this matter should take place without delay, for in Mr. Simpson's opinion, the Chinese authorities must realize that foreigners, who are desirable in their country, should not be inconvenienced. The examination of passengers baggage at the wharves might also be improved. It takes place nearly in the middle of the street, which becomes blocked with vehicles of all sorts.

Real Estate Review by Realty Investment Co.

The center of new building permits is again in the Western part of the French Concession, the most important being an apartment on Rue Frelupt between Route Ghisi and Route Delastre. Plans are for a nine-story building with 18 garages.

Other permits in this section are for the following: A school building on Route Remi, between Route Delastre and De La Tour. A Residence off Route Remi, near De La Tour.

A school building on Rue Ratard, East of Route Des Soeurs.

Six Chinese houses with 3 stories off Rue Ratard, near Du Roi Albert.

A Foreign residence on Corner of Route Magniny and Route Pershing.

Last week new houses were approved on Route Magy near Avenue Haig, and now this week plans are approved for a new residence on the corner of Magy and Haig, which should soon open Magy as a through street.

In the Western section of the Settlement the largest permit is for 13 Foreign dwellings on Gordon Road, south of Markham Road. Another permit of more than ordinary size is for a factory building off Ferry Road, near Connaught Road.

In the Eastern district there were two industrial units approved. One for a dyeing factory with boiler house on Point Road Extension, West of Dalny Road, the second is for a boiler house and mixing room off Yulin Road, near the intersection of Wetmore Road.

Appointment of U. S. Vice Consul at Manila —New Commonwealth Status

The new commonwealth status of the Philippines resulting from the adoption of the independence bill by the insular legislature, was recognized by U. S. government May 2 when Henry B. Day, now vice-consul at Hongkong, was appointed vice-consul at Manila.

An Urgent Demand For Baby's Own Tablets

There are few things more disturbing to a mother's peace of mind than the crying of her baby particularly when it is the sharp cry of pain or the dull moan of sickness. If the pain is due to some internal cause a dose of Baby's Own Tablets will usually quickly put the trouble right.

Baby's Own Tablets are mildly laxative, non-griping and non-purging, they gently assist nature to keep the child's intestines clear of any waste matter and help to maintain the organs in a clean healthy condition. For all infantile maladies such as constipation, colic, croup and colds, diarrhoea, stomach and bowel troubles generally there is no better remedy than this ideal children's medicine.

The prescription of a doctor who specialised in children's ailments, Baby's Own Tablets can be used with confidence for the youngest baby as well as for children up to about seven years of age.

If baby is teething, Baby's Own Tablets are of the greatest help in allaying the pain, they settle the stomach and induce sound healthy sleep in a natural way. One of the features to recommend Baby's Own Tablets is their pleasant taste, children like them. Keep a vial in the home and see how baby thrives when childhood troubles are promptly corrected by the use of Baby's Own Tablets. Obtainable at all chemists.

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The National City Bank of New York, Rates of Exchange

Shanghai, May 16, 1934

Demand selling rate on America:	U.S.$100=Sh. $ 3.09
Demand buying rate on America:	U.S.$100=Sh. $ 3.05
Demand selling rate on London:	£1.0.0=Sh. $15.80
Demand rate buying on London:	£1.0.0=Sh. $15.61

Latest New York Stock Exchange Quotations

Market—Firm. Business Done 890,000 Shares

May 16, 1934

1933-34 High	1933-34 Low	Div. $ per Sh.	STOCK	Mon. May. 14	Tue. May 15
13⅜	3	—	Adams Express	7½	8
33	11⅛	0.60	Alaska Juneau	17⅝	18
160	70¾	6.00	Allied Chemical & Dye	130⅛	129
107½	19¼	4.00	American Can	94	93
19⅞	5⅜	—	American & Foreign Power	7¼	7⅝
27¼	3½	—	American Metal Company	21	22
53½	10⅜	—	American Smelting	38¼	38½
134⅜	86½	9.00	American Tel. & Tel.	112⅝	113
94⅞	50⅜	5.00	American Tobacco "B"	68½	68¾
43¼	10⅞	1.00	American Waterworks	17¼	18
22⅞	5	—	Anaconda Copper	13½	14
18⅝	5⅜	—	Atlas Corporation	10½	10¼
84⅛	31	2.00	Auburn Automobiles	34	34½
37⅞	8¼	—	Baltimore & Ohio	22½	23¼
49½	10⅛	—	Bethlehem Steel	33⅝	34⅝
37⅞	18	1.60	Borden Company	22½	24¼
28½	5½	0.25	Borg Warner	21½	22½
20⅝	7¼	—	Canadian Pacific Railway	15⅝	16⅝
103½	30½	—	Case, J. I.	48¼	49
47⅞	16⅝	1.40	Chase National Bank	27½	27¾
52½	14⅞	2.50	Chesapeake Corporation	41	41
59	7⅝	1.00	Chrysler Corporation	38½	39
28⅛	9	0.50	Columbia Gas & Electric	11⅝	12½
6½	1⅝	—	Commonwealth & Southern	2	2⅛
64⅛	34⅛	3.00	Consolidated Gas of N. Y.	32½	32⅝
22½	4⅞	—	Continental Oil	18⅝	19¼
9	2⅝	—	Coty Inc.	5⅝	5⅝
5⅛	1½	—	Curtiss Wright Company	3½	3¾
102⅝	32½	*2.00	Du Pont de Nemours	82⅜	82½
95⅝	46	3.00	Eastman Kodak	90¼	93¼
41⅝	10	—	Electric Bond & Share	13⅝	14⅛
15⅝	3⅛	—	Electric Power & Light	5¼	5½
19	12	—	Fox Film "A"	14⅝	14½
10⅝	2⅞	—	General Aviation	4¼	4⅜
30⅛	10½	0.40	General Electric	19⅝	20
29⅞	21	1.50	General Foods	32¼	32⅝
41½	10	*1.00	General Motors	31⅝	32⅜
49½	13¼	1.00	General Railway Signal	31⅜	34½
27⅝	12	1.20	Gold Dust	19¼	19½
47⅛	9¼	—	Goodyear Tire & Rubber	28⅝	28⅝
40	6⅛	—	International Cement	23	23½
46⅛	13⅝	0.60	International Harvester	31½	32⅝
29	6⅝	—	International Nickel	26¼	26⅞
21¾	5⅛	—	International Tel. & Tel.	12	12¼
65½	21¼	—	Johns Manville	47	48
26	7⅝	—	Kennecott	18⅝	19⅜
79⅝	37½	2.40	Lehman Corporation	65	66⅜
99⅝	40½	*4.00	Liggett & Myers "B"	91	91½
36½	8½	1.00	Loew's Inc.	30⅛	30⅝
25¾	10⅜	1.20	Lorillard P. (Com.)	16½	17
35⅝	8⅝	—	Montgomery Ward	23¾	24⅜
64⅛	16⅞	1.00	National City Banks (bid price)	27⅜	27⅝
41⅝	5⅝	—	National Distiller	24⅜	25
58½	14	—	New York Central	26⅝	27⅛
26½	12¾	3%S	North American	15⅛	16
96¾	31½	2.00	Owens Illinois Glass	74½	74¼
31⅞	15	1.00	Pacific Gas & Electric	17⅝	17⅝
6⅞	1¾	—	Packard Motors	4	4
42½	12¾	0.50	Pennsylvania Railroad	28⅝	30¼
6⅝	1⅛	—	Pennroad Corporation	2½	2⅝
20⅝	4⅝	—	Phillips Petroleum	17⅛	17⅜
12¼	3	—	Radio Corporation	7⅜	7⅜
54¼	26½	3.00	Reynolds Tobacco "B"	42⅜	42⅝
50⅞	12½	—	Sears Roebuck	42½	42⅞
19½	6	1.00	Socony-Vacuum Corporation	14⅝	15¼
28	14¼	2.00	Southern California Edison	16¼	16½
22½	5½	—	Standard Gas & Electric	8⅝	9⅜
49⅝	22⅝	1.00	Standard Oil Co. of N. J.	42¼	41⅝
60⅞	46	3.80	Sterling Products	57	57⅛
9	1½	—	Studebaker	4⅝	4⅞
30½	10⅝	1.00	Texas Corporation	22⅝	23
9⅜	2⅝	0.12	Transamerica	6	6½
51⅞	19⅝	1.00	Union Carbide & Carbon	38⅜	38½
133⅜	61¼	6.00	UnionPacific	117¼	119⅝
46⅜	16½	—	United Aircraft & Trans.	19⅜	20½
14¼	4½	—	United Corporation	4⅜	5
25	14	1.20	United Gas Improvement	15⅝	16¼
25	2⅞	—	U. S. Rubber	13⅝	14⅜
67½	28⅝	—	U. S. Steel	41	42¼
51½	21½	*2.00	Universal Leaf Tobacco	43½	44½
28⅜	7⅝	—	Vanadium	19¼	19⅝
9½	1	—	Warner Bros. Pictures	5½	20½
58¾	19⅜	—	Westinghouse E. & M.	22¼	22½
54⅞	25⅛	2.40	Woolworth	48⅝	48⅝
			PREFERRED STOCKs AND BONDS		
44⅞	7¼	none	American & Foreign Power 7% Pfd.	18	19
58½	23⅝	5.00	Amer. & For. Power 5% debs. of 2030	50¼	52
80	35	6.00	American Waterworks $6 preferred	72	72
48	25	5.50	Cities Service Power & Light 5½s/52	42¼	43⅝
66	25	6.00	Electric Bond & Share $6 preferred	48	49
72⅜	20½	4.50	Int. Tel. & Tel. conv. 4½s of 1939	61	62⅞
65	34	5.00	New England Gas & Electric 5s 1947	51⅝	52
85	35	6.00	Standard Gas & Elec. 6% notes 1935	76½	79

*Plus extras

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